

businessessentials[®]

Advice and ideas to grow your business - presented by Nick Schildberger

June 2010 | Audio CD



the extras



Executive Chairman
Michael Schildberger



Managing Director
Nick Schildberger

Production Manager
Heather Dawson

Chief Editor
John Hounslow

Producer
Bob Kearsley

Studio Manager
Peter Letts

Advertising/Sponsorship
Nick Schildberger
nschildberger@be.com.au

Publisher

Business Essentials Pty Ltd 405 Riversdale Road, Hawthorn East Vic 3123

Telephone: 03 9882 8333 **Facsimile:** 03 9882 8017 **Email:** info@be.com.au **Website:** www.be.com.au

This is a very special edition of Business Essentials and I'd like to tell you why. The interviews we bring you this month are of great value, of course. You'll hear our experts dissect the implications of the recent Federal Budget – so important as we head towards an election. You'll hear fresh insights about partnerships, including a highly successful enterprise which has grown to \$35 million in just 7 years. And we look at business lending from the inside to find out why the banks say "yes" or "no" to our requests for money.

But this edition of BE is special from my own personal perspective as leadership of the business moves from father to son. The succession process started last year when my father, Michael Schildberger, appointed me Managing Director while he assumed the role of Executive Chairman. Now another big step has arrived as my father faces serious health battles and is no longer able to host the CD series. It's his wish that I fulfil the hosting of BE in his place, and that's something I'm immensely proud to do. I'm lucky to have had such a skilled presenter as a teacher! As I accept this additional role, I'll be working hard to retain the great loyalty you've shown my father for such a long time. Our production team stays the same and we're dedicated to maintaining the high quality of information which we know will benefit your organisation.

Please enjoy this CD – and a new voice to the series!

Regards

A handwritten signature in black ink that reads "Nick Schildberger". The signature is fluid and cursive.

Nick Schildberger
Managing Director

For more information about the topics discussed on this June 2010 program, please contact the relevant organisations listed below.

BUDGET 2010 AND BEYOND

THE ECONOMY

Professor Neville Norman

Melbourne University
neville.norman@unimelb.edu.au

TAX

Michael Jones

Cummings Flavel McCormack
T: 03 9252 0800
enquiries@cfmc.com.au
www.cfmc.com.au

WHY PARTNERSHIPS SUCCEED – OR FAIL

Greg Nathan

Franchise Relationships Institute
T: 07 3510 9000
www.franchiserelationships.com
Contact Franchise Relationships Institute
direct to purchase Greg Nathan's book,
"Profitable Partnerships"

TECHNOLOGY SOLUTIONS SPARK MAJOR GROWTH

Lior Rauchberger

Nuvo Solutions Group
T: 03 9001 3001
www.nuvogroup.com.au

REFORMS TO THE FRANCHISING CODE

Dr Michael Schaper

ACCC
T: 1300 302 502
www.accc.gov.au

INSIDE STORY ON BUSINESS LENDING

David Marshall

Bank of Queensland
T: 1300 55 72 72
www.boq.com.au

INDUSTRIAL RELATIONS IN AN ELECTION YEAR

Joydeep Hor

Harmers Workplace Lawyers
T: 02 9267 4322
www.harmers.com.au

12 CHARACTERISTICS OF HIGH-PERFORMING TEAMS

Tony Gattari

Achievers Group
T: 02 9440 7373
www.achieversgroup.com.au

SHAREMARKET UPDATE

Tim Lincoln

Lincoln Stock Doctor
Please contact Lincoln direct for
details of its Stock Doctor
fundamental analysis software
or Manage Fund services
www.lincolnindicators.com.au

THE TOUGHEST TASKS IN SMALL BUSINESS

Tim Reed

MYOB Australia
T: 1300 555 111
www.myob.com.au

Accountants Who Help You See Further

Cummings Flavel McCormack are accountants who provide accounting, auditing and business advice to business owners. Cummings Flavel McCormack also provides tax consulting services.

Tax Consulting

Tax law is relevant to every major business and investment decision. Understanding the latest developments in tax is difficult.

The Cummings Flavel McCormack tax consulting practice works with clients to evaluate the taxation risks and benefits applicable to their business and investment plans.

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We have significant breadth of experience, having worked with successive governments in tax law development and holding key positions on advisory and education committees with professional tax bodies.

David Kent, Michael Jones and Neil Flavel lead a group of dedicated taxation professionals.



CFMC KEY TAX DATES FOR: JUNE AND JULY 2010

30 Jun 10	End of financial year.
14 Jul 10	PAYG Withholding: Payers must issue PAYG withholding payment summaries to employees.
21 Jul 10	Quarter 4 (Apr – Jun 2010) activity statements: final date for lodgement and payment.
28 Jul 10	Superannuation guarantee contribution: super contributions for quarter 4 are to be made by this date. Quarter 4 (Apr – Jun 2010) GST instalments: final date for payment of forms S & T. Quarter 4 (Apr – Jun 2010) PAYG instalments: final date for payment of forms R & T.

A reminder about intoxication. As the financial year comes to an end, some taxpayers look forward with excitement to getting a tax refund. *This phenomenon is called intoxication.*

Intoxication is defined as follows:

1. (n.) Euphoria at getting a refund from the ATO, which lasts until one realises it was one's own money to start with.

For more visit our website, www.cfmc.com.au

Office Details

Level 15, 390 St Kilda Road
Melbourne VIC 3004

T: 61 3 9252 0800 F: 61 3 9252 0801

E: enquiries@cfmc.com.au

E: careers@cfmc.com.au

www.cfmc.com.au



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THE ESSENTIALS

June 2010

Track 2

THE ECONOMY

Professor Neville Norman, Melbourne University

- The Rudd Government now admits it misread the scene a year ago and botched its projections, especially for tax revenue
- It's praising itself for producing a happier economic outlook this time
- It's partly right – it underestimated the beneficial demand impact of its own stimulus packages
- But the main reason it now predicts a return to surplus three years earlier is that it, and most economists, were excessively gloomy last time
- Now it's banking on the resources boom continuing unchecked and Europe escaping a double-dip recession
- For small business, rising interest rates, inflation risks and demand pressures from wages and suppliers can be expected, though some tax relief will come

Track 3

TAX

Michael Jones, Cummings Flavel McCormack

- The Budget is not the Rudd Government's major forum for announcing and implementing tax changes, but there are some measures worth noting
- On superannuation, there's clarity about the tax treatment of the ownership of property purchased by self-managed super funds – the fund's trustee will be regarded as the owner from the start
- From July 1, 2011, the Commissioner of Taxation will have the power to re-allocate concessional and non-concessional super contributions which exceed the capped limits
- There'll be legislation to simplify the tax treatment of earn-out arrangements when a business is sold
- From July 1, 2012, employees will be able to claim a standard \$500 deduction to cover work-related expenses. It will increase a year later to \$1000
- Look out for increased ATO activity on monitoring GST compliance – they've been given additional funds for that purpose

Track 4

WHY PARTNERSHIPS SUCCEED – OR FAIL

Greg Nathan, Franchise Relationships Institute

- There are similarities between marriage and a business partnership – though it may be easier these days to end a marriage
- During the honeymoon period, everything looks rosy, but reality hits when partners discover each other's bad habits, or resent being told what to do
- Then, hopefully, comes realisation that both are in the relationship because it's commercially beneficial to them
- Partnerships will fail if expectations aren't met, or if one party feels they're not respected and trusted
- Frustrations and intolerance will also increase if one party feels the other lacks integrity or competence, or simply doesn't care
- A clearly set-out contract can help define areas where problems may rise, and should be re-visited when problems occur
- But the "psychological contract", embodying concepts of fair play, trust and mutual respect can be just as important
- Calling in the lawyers is an inefficient way of solving problems in a partnership - the money could be spent more productively on building the business

Track 5

TECHNOLOGY SOLUTIONS SPARK MAJOR GROWTH

Lior Rauchberger, Nuvo Solutions Group

- In the early stages we had to market ourselves without a track record to support us; now the business is growing organically, marketing is less necessary
- Our strength was in providing a “turnkey solution”: one company responsible for all the cabling and installation work in a house or commercial building
- This model was attractive to designers, architects and engineers and we pushed our competitive advantage aggressively
- Now other firms have followed our example, so we have to keep adding new solutions to stay in front
- We were able to survive the GFC because we’d already moved to concentrate on areas like gambling, health and education which could weather the storm
- To win big contracts, we keep our pitch simple, concentrating on a few key points
- But delivery is crucial: we’ve assembled a team of highly-skilled technical people to make sure the job’s done well at all levels
- Finding A-grade people wasn’t easy at first, but now we’re seen as an exciting place to work
- Technology keeps advancing: it’s now possible to control all the systems in a home or office from portable devices like the iPhone

- Rapid growth can be hard to control: I know now that we should have made key management recruiting decisions earlier
- Choosing the right business partner, with complementary skills, is essential: without a good working relationship the business will probably fail

Track 6

REFORMS TO THE FRANCHISING CODE

Dr Michael Schaper, ACCC

- Recently, the Federal Government has announced a number of changes to the law affecting franchising
- They include penalties for false and misleading representation and unconscionable conduct, and random audits of franchise systems
- The ACCC now has the ability to issue public warnings about rogue franchisors
- And franchisors will have to provide clear advice to franchisees about what will happen when their agreement expires
- To improve transparency in the industry, there'll also be a simple document to explain the costs, benefits and risks of franchising
- And the government has promised to provide greater clarity on the question of unconscionable conduct
- The ACCC is also being asked to take on a greater role in education for prospective franchisees

- Would-be franchisees in Australia are reasonable well-protected because it's one of the few countries in the world with a national franchising law
- The new reforms will allow greater scrutiny of franchise systems which are already in operation
- There'll also be greater emphasis on mediation as a way of settling disputes between franchisees and franchisors, rather than going to court

Track 7

INSIDE STORY ON BUSINESS LENDING

David Marshall, Bank of Queensland

- Banks are applying greater scrutiny to their business customers, to make sure they understand the underlying risks in the business and the likelihood of good rewards
- The pace of recovery varies between different states and different industry sectors. Banks will adjust their lending policies accordingly
- But competition between banks should ensure that small business customers are able to find funding and advice as necessary
- Government support for the banks during the GFC helped to ensure the system remained stable. That's a lasting benefit to customers
- Open and frank communication with your bank is the best way to preserve the relationship and achieve your objectives. Nobody likes surprises

- Banks will look at cash flow, whether the business reaching its target market and whether it's resilient enough to survive challenges or downturns
- Make sure that the bank understands where the owners want to take the business, and that they, in turn, understand what the bank is providing
- BOQ's branch owner-managers, small business people themselves, are uniquely placed to understand the issues small business in Australia is facing

Track 8

INDUSTRIAL RELATIONS IN AN ELECTION YEAR

Joydeep Hor, Harmers Workplace Lawyers

- WorkChoices' centralisation of the industrial relations system under Federal control has been maintained by the Rudd Government
- The major change in the Fair Work Act has been to re-establish collective bargaining and the award system and strengthen the safety net, at the expense of individualism
- Some recent developments and judgements have challenged the simplicity of the new system, with employers often still unsure about flexible working arrangements and the award system
- A recent agreement between McDonalds and its employees, supported by the union, was rejected by the Fair Work Tribunal

- Employers who believed that the new system encouraged them to reach collective agreements with the unions will understandably be puzzled by such developments, and the government may be too
- A coalition government might re-introduce some form of individual contracts, but with stronger safeguards than under WorkChoices
- A re-elected Labor Government would probably come under pressure from the ACTU to do more to support them against employers who they claim have ignored unions and dealt unfairly with their employees
- Employers need to comply with the law as it exists at any time, but ensuring you maintain a good relationship with your workforce can make any legislation less of a threat

Track 9

12 CHARACTERISTICS OF HIGH-PERFORMING TEAMS

Tony Gattari, Achievers Group

- You must have a common goal, clearly defined, and a winning culture – everyone must embrace the same set of values
- You must live by the culture yourself and lead by example, not by diktat
- Everyone must give 100 percent of their effort and you must reward your star performers, not the whingers

- Pay people according to their value, not the time they spend at the job
- Flat pay leads to flat performance, so reward achievement
- Develop an incentive scheme that rewards people for doing what you want them to do, and keep it simple
- Be supportive of people who take risks – they'll break the game open
- Train your staff in all areas of the business, but especially those where they bring in the most income
- Give people clear job descriptions, roles and responsibilities. You can't measure their performance if you don't know what they do
- Hire on attitude, train on skill. Passion and commitment are the qualities to look for in a recruit
- To attract the best, you must become attractive yourself, and that depends on vision and purpose

Track 10

SHAREMARKET UPDATE

Tim Lincoln, Lincoln Stock Doctor

- Volatility has always been a feature of the sharemarket – experienced investors will see it as an opportunity, not a threat
- But investing requires desire, discipline and the time and tools to carry it through successfully

- Don't be distracted by macro-economic factors – look at stocks from the bottom up
- Strong, well-organised companies will survive external shock-waves and still prosper
- Interest rate rises don't help the investing environment by increasing the cost of debt, but overall we're still in a low interest rate environment
- Stocks of the month: CSL, iiNet, Ten Network, Forge Group, Tox Free Solutions and Westpac

Track 11

THE TOUGHEST TASKS IN SMALL BUSINESS

Tim Reed, MYOB Australia

- The greatest challenge today is knowing which government legislation and compliance changes are relevant to your business. Such is the complexity of modern business life
- Small businesses chasing debts owed by larger customers often feel intimidated and fear they'll lose the business if they're too demanding
- But they shouldn't feel intimidated. A big company is unlikely to change suppliers if they're satisfied with the service they're receiving, just because someone wants to be paid on time
- Poor office organisation and a reluctance to take on the task of debt-chasing also contribute to late payment problems in small business

- Another major challenge is knowing what changes to make in order to develop – this mainly affects “young” businesses and those in an active growth phase
- Good information is the key to making changes: if your internal information doesn’t provide what you need, talk to your bookkeeper and accountant about better systems
- For market information, talk to as many people as you can outside the business
- Medium sized businesses have a particular problem with cash flow, often because they’re trying to expand, and because banks have tightened their lending requirements
- Business Activity Statements remain a challenge for new and small businesses – it’s time the government simplified the paperwork
- Our latest survey shows that in some areas – trade, construction, transport, retail – business confidence has slipped from where it was at the end of last year.