

businessessentials[®]

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

September 2010 | Audio CD



the extras



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Well, the Federal election's finally behind us. What now? As we mentioned last month, our economist, Professor Neville Norman, has been keeping a close watch on the economy, and in this program outlines for us the climate in which the newly-elected government will have to operate, and the implications for all of us in business. There are, he says, some dark clouds on the horizon that weren't visible earlier in the year.

Also this month, we hear from Steve Wright, CEO of the Franchise Council of Australia, on why continuing education and some formal training are essential if business operators don't want to add to the unhealthy percentage of enterprises which fail within the first few years.

With a high-profile sexual harassment case so much in the headlines recently, workplace relations lawyer Joydeep Hor of People & Culture Strategies, points out the problems that any business can face, and how to avoid them.

What can regional banks offer small business that the Big Four can't? As we welcome BOQ – the Bank of Queensland – as a valued new partner of Business Essentials, its CEO David Liddy explains how their own small business model gives them a head start.

We'll hear from motivational expert Gavin Freeman on what you need to know about what drives your employees to succeed – or fail.

And a reminder about our new iPhone application, "Business Inspirations", a collection of inspirational quotations from successful people. Each day a new quote automatically downloads on your iPhone for playing as often as you like until it updates in two days. You'll find a link to download the app on our homepage at www.be.com.au

Enjoy those messages, and this month's interviews.

Regards

A handwritten signature in black ink that reads "Nick Schildberger". The signature is written in a cursive, flowing style.

Nick Schildberger
Managing Director

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

BEYOND THE ELECTION: WHAT LIES AHEAD

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HOW TO AVOID A SEXUAL HARASSMENT CASE

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CHARGING MORE WITHOUT LOSING SALES

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SHAREMARKET UPDATE

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DON'T MISTAKE MOVEMENT FOR ACHIEVEMENT

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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.

We are proud of our ability to untangle the complexities of tax law to produce commercially practical tax advice that the client can understand and act on with confidence.

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: SEPTEMBER AND OCTOBER 2010

21 Sep 10 **Monthly Activity Statements:**
final date for lodgement and payment.

21 Oct 10 **Monthly Activity Statements:**
final date for lodgement and payment.

28 Oct 10 **Quarter 1 (Jul – Sept 2010) Activity statements:**
final date for lodgement and payment.

Quarter 1 (Jul – Sept 2010) GST instalments:
final date for payment of forms S & T.

Quarter 1 (Jul – Sept 2010) PAYG instalments:
final date for payment of forms R & T.

31 Oct 10 **Income Tax:** income tax return due date for all June balancing company and superannuation funds where one or more prior year returns were outstanding as at 30 June 2010.

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

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I UNDERSTAND the needs of small business owners.

After all, I am one too.

My business is a bank. It's a BOQ branch that I own and manage. This is the way BOQ works, and that's why I'm here.

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I believe BOQ Owner-Managers like me offer you something unique. A bank that provides a genuine business relationship and a genuine personal relationship.

Ask yourself, would your bank do this?

George Kapelles
Owner-Manager

To find your local Owner-Manager,
visit boq.com.au
or call 1300 737 766.

The BOQ logo is located in the bottom right corner. It consists of a blue square with a yellow triangle on the left side, and the letters "BOQ" in white, bold, sans-serif font inside the blue square.

BOQ

Your own personal bank

THE ESSENTIALS

September 2010

Track 2

BEYOND THE ELECTION: WHAT LIES AHEAD **Professor Neville Norman, Melbourne** **University**

- The world economy's current performance is slightly disappointing, and Australia's is not living up to the promise it showed earlier in the year
- Inflation remains an issue, and domestic indicators like plant and equipment investment are showing signs of a slowdown
- This means getting used to slower growth than was forecast
- For the new government, that means continuing short-term stimulus packages and avoiding any major policy stuff-ups
- I can't understand how the Rudd government came to mishandle the Henry Review, the mining tax (the worst example of introducing a new economic policy in my experience) and the emissions trading scheme

- These had a devastating economic effect which will form the backdrop for government and business in the back half of 2010
- The slowdown will mean the return to budget surplus will be delayed by another year
- A couple of small official interest rate rises are still likely this year

Track 3

ARE YOU MOTIVATED TO SUCCEED? Gavin Freeman, The Business Olympian

- People who are motivated in two different ways: to succeed, or to avoid failure
- Those who are motivated to avoid failure will decrease their intensity and their effort when problems arise and take steps to avoid being blamed
- They'll take on projects which are guaranteed to succeed, or widely expected to fail – no blame will attach to them in that case
- Those motivated to succeed will take failure in their stride as something to learn from and a stepping-stone to future success
- But some who are motivated to succeed will begin to change if they move into an area that's outside their comfort zone
- When you're recruiting, don't rely on a CV and a single interview – expose people to different situations and make a considered judgment

- Make sure you have a learning and development process in your business that can help people become motivated to succeed
- A work environment which encourages people to ask for forgiveness if things go wrong, and not permission to try something, will help their motivation
- Conversely, a boss who says “don’t stuff this one up” will probably ensure mediocrity
- Recording your experiences as you go along provides a great way of learning from your failures
- And an outside mentor who can offer objective advice will help you learn from both failures and successes

Track 4

HOW TO AVOID A SEXUAL HARASSMENT CASE

Joydeep Hor, People + Culture Strategies

- In law, there are two types of behaviour defined as sexual harassment in the workplace
- The first is when one person makes unwelcome sexual advances to another, and often there’s an imbalance of power between the two
- The second is a “hostile work environment”, which can cover any other unwelcome conduct of a sexual nature, which may involve language, or images or topics of regular conversation
- Problems can arise in small business because they may lack the infrastructure of policies, training and procedures that the law requires

- If a complaint is made, don't form an opinion. Ensure an unbiased investigation is carried out, by an external body if necessary
- Confirmed cases of sexual harassment can be grounds for summary dismissal if proper policies were already in place, or the risk of unwelcome publicity is too great
- Business owners and managers must ensure that they are also held accountable for dealing properly with any allegations
- The highest court-awarded judgment in a sexual harassment case in Australia was for nearly half a million dollars, but out-of-court settlements have gone into the millions
- Make sure you have policies and procedures in place and that everyone knows about them. And move swiftly to deal with any complaints that arise

Track 5

MANAGING CAREER DEVELOPMENT TODAY **Roger Reidy, BPS Consulting**

- There's been a seismic shift in our attitude towards career development in recent years. The "cradle-to-grave" approach has given way to a climate in which employers have to earn the loyalty of their employees
- It's generational: baby-boomers generally were seeking security, Generations X and Y want access to learning and development
- Unlike their predecessors, they're more likely to take charge of their own careers and move on if they're not satisfied

- For employers, career development can be an excellent staff-retention strategy
- With the right help, it can lead to the development of new roles and career opportunities that the organisation hadn't foreseen
- Work-life balance is important to younger employees who've seen their parents working long hours, and want more flexibility
- External providers of career development strategies can help business operators tailor programs that will help them retain key staff
- People may still leave to improve their skills in another environment but, if they've been looked after, they may well come back later

Track 6

WHAT IT REALLY TAKES TO BUILD A BUSINESS

Steve Wright, Franchise Council of Australia

- Too many small businesses fail within the first few years, mainly because of a lack of preparation. Enthusiasm alone is not enough
- Good planning will help you free up time, probably after hours, to brush up on the skills you may lack
- People with one set of skills, in selling for instance, will quickly realize they also need to grapple with managing cash flow, managing staff, and planning for future growth
- It's important to be able to step back from a hands-on role at times, and see your business from the outside

- The Franchise Council's new Diploma of Franchising aims to equip people with basic business skills as well as an understanding of franchising
- It's aimed at potential franchisees and franchisors and current employees, as well as people thinking of going into business in the future
- Australia has a strong entrepreneurial culture, and franchising offers attractive opportunities to be your own boss, while having the support of a franchise network
- Careful preparation and strong family support are essential additions to passion and the commitment to succeed

Track 7

BANKING ON SMALL BUSINESS

David Liddy, BOQ

- Second-tier, or regional, banks can offer all the services of the "Big Four", while treating customers like human beings, not numbers
- The number of banks operating in Australia have dropped since the Global Financial Crisis hit, but competition on fees and services is as strong as ever
- The strength of Australia's banking sector enabled it to withstand the GFC better than many of its overseas counterparts, and BOQ – for one – has emerged stronger and leaner than before
- More banks are recognizing that operating through local branch managers, rather than closing branches, is the way to go

- In BOQ's case, local owner-managers – small business owners in their own right – can develop a strong rapport with their business customers
- They're part of their community, and can identify with the pressures other local businesses have to deal with
- The franchise model has allowed BOQ to expand quickly without the need for a huge pool of capital
- Small businesses seeking bank finance need to have clear business and marketing plans, a strong grasp of their revenue and cost streams, and a solid idea of the resources they'll need to grow

Track 8

CHARGING MORE WITHOUT LOSING SALES **Dr Greg Chapman, Empower Business** **Solutions**

- Pricing is a key strategy for boosting profitability, but many people are afraid they'll lose sales if they increase prices
- You can defend your increased prices if you change your marketing strategy at the same time
- The greater your prices increase, the more radically you have to change your marketing
- Identify your "best buyers" -- they won't necessarily be motivated simply by price. You must also identify your points of difference, and demonstrate them
- Increasing your prices incrementally, rather than in one big hit, will be less noticeable, and more acceptable, to customers

- Re-packaging your product or service, so that you're providing less, is another frequently-used method of increasing prices
- Providing different forms of the product to different market segments enables you to focus attention on relative value, rather than price
- By not increasing prices when you should, you may actually be making a loss when all your costs are considered
- That means you really have no choice but to increase prices, and the fear of losing customers then disappears

Track 9

TAXING FAMILY TRUSTS, PART 2

Michael Jones, Cummings Flavel McCormack

- In December 2009, the Taxation Office decided to treat unpaid entitlements which are retained by family trusts as loans and tax them accordingly
- A loan from a company will attract tax penalties unless it's put onto a formal arrangement with a prescribed interest rate and repayment over 7 years
- The Tax Office wants to see some form of return going to the company for the money retained in the trust
- Existing unpaid entitlements will be protected if they have been disclosed and treated properly in previous accounting statements
- If an unpaid entitlement has been provided in 2010, it must be dealt with by the lodgement date of the 2011 tax return, or it will be treated as a loan

- Two simple options exist: the entitlement can be paid to the company before that date, or it can be put onto a formal loan arrangement with interest paid and repayments made in the 2012 tax year
- A more complicated option, involving the use of sub-trusts, is also available but may not suit most taxpayers
- Everyone with a trust which has distributed income to companies should ask their accountant to check their current arrangements and make a plan for the future

Track 10

SHAREMARKET UPDATE

Tim Lincoln, Lincoln Stock Doctor

- The current reporting season, with annual results available, is the time to make decisions about which stocks to retain in your portfolio, and which should go
- Since the GFC, with its dramatic falls in the value of many stocks, investors are frequently asking what's the right time to exit
- You need the right tools – or good advice from a broker – to assess the fundamental quality of the stock and apply an exit strategy or hold on
- Questions about the financial health of companies, covering growth prospects, debt and gearing levels, profitability, cash flow will help inform your decision
- If you lack detailed information about the stocks in your portfolio, employ a stop-loss strategy to protect yourself

- Use the results from the reporting season as an opportunity to reshape your portfolio – don't just sit on the fence
- Stocks of the month: Webjet, GUD Holdings, Maryborough Sugar Factory, Rio Tinto, Navitas.

Track 11

DON'T MISTAKE MOVEMENT FOR ACHIEVEMENT

Tony Gattari, Achievers Group

- Twenty years ago, we were told that technology advances would mean we would be working less. It hasn't come true
- Time management has meant we've become efficiency freaks, but we mustn't mistake movement for achievement
- Stephen Covey's book "First Things First" sets out a diagram depicting four quadrants of activity
- The first, the Quadrant of Necessity, includes closing a sale, taking an order, quickly handling a customer complaint, ordering stock – things without which the business can't survive
- The second is the Quadrant of Quality, involving things that are very important but not urgent: planning, training, strategising, discipline. They're essential to the future quality of the business
- The third is the Quadrant of Deception: things that are apparently urgent but not important, like reading your emails every 5 minutes, becoming a phone junkie,

dealing with everyone else's problems and sitting behind a desk when you should be out selling

- Last, the Quadrant of Waste, things that aren't urgent and aren't important. Spending 3 hours on Facebook, surfing the net, spending all your time off recharging your batteries instead of being with your family
- Focus on the compass before you wind up the clock, otherwise you'll become efficient only at doing things you weren't supposed to be doing