

businessessentials[®]

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

November 2010 | Audio CD



the extras



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This month, we renew our acquaintance with a young entrepreneur who's putting a whole new slant on the waste recycling business. Chris O'Brien tells us about the challenges of rapid growth as he develops his Hungry Giant into an industry leader. It's an impressive story about a young man who, through sheer determination and persistence, has turned a good idea into a recycling system that works well for industry and helps the environment at the same time.

January 1st next year is a significant date in more ways than one. It's the start of the New Year, of course. But it also marks the introduction of the important new consumer law that spans the whole country instead of individual states. There are important implications for small business and Dr Michael Schaper, Deputy Chair of the ACCC, spells them out for us.

Super's an important issue for everyone, and we examine two aspects of it this month: the alarming number of business people who don't have enough; and how self-managed super funds are being regarded in the light of the recent Cooper Review.

We have our regular update on the economy from Professor Neville Norman, and Elio D'Amato of Lincoln Stock Doctor offers his thoughts on the state of the sharemarket, including the hype surrounding the forthcoming float of QR National.

And we'll also have some sound advice from Rhonda Andrews of the Barrington Centre on the sensitive and sometimes difficult problem of managing mental health issues in the workplace.

There's plenty to think about on this month's program. Enjoy!

Regards

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

Nick Schildberger
Managing Director

More Information

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

CHALLENGES OF RAPID GROWTH

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ECONOMIC UPDATE

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BE READY FOR THE NEW CONSUMER LAW

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DO YOU HAVE ENOUGH SUPER?

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SHAREMARKET UPDATE

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MANAGING MENTAL HEALTH ISSUES AT WORK

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

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



see further

CFMC KEY TAX DATES FOR: NOVEMBER AND DECEMBER 2010

1 Dec 10

Income Tax: Income tax payment due date for companies and superannuation funds that were taxable large/medium business clients in the immediate prior year.

Income Tax: Income tax payment due date for companies and superannuation funds that were required to lodge by 31 October.

Income Tax: Payment of income tax for superannuation funds where one or more prior year returns are outstanding as at 31 October 2009.

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

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THE ESSENTIALS

November 2010

Track 2

CHALLENGES OF RAPID GROWTH

Chris O'Brien, Hungry Giant

- In two years, we've developed from a single-product company into one that's supplying total waste solutions for industry
- The waste industry is dominated by multinationals, and there's little innovation – we've found a niche market that's crying out to be serviced
- Every month in the last half-year, we've grown by 18 percent, more than doubling our business in that time
- The hardest thing is finding good staff who are passionate about the environment and want to be part of a dynamic enterprise
- We've now got to nurture the growth and make sure our new clients are being looked after
- I still love being out there pitching for business, but it's important that I oversee strategy and refining our products to meet the market
- Because we focus on continuing customer service, we get a lot of word-of-mouth referrals

- Most waste companies charge their customers on volume of waste collected. We isolate the waste that can be recycled and compact it separately at the point of collection
- That reduces transportation costs, increases recycling and creates a product that can be onsold
- We're aiming to build a plastics recycling plant, and raise venture capital to expand into other states and overseas. But it's one step at a time
- It's important to manage the basics of the business on a daily basis – cashflow, debt levels etc – but determination to succeed will get you through if you know your product and your market

Track 3

ECONOMIC UPDATE

Professor Neville Norman, Melbourne University

- There's a growing consensus among economists and analysts that the Australian economy is now back to "normal" levels – with several indicators showing a strong resurgence from the days of the GFC
- But not everything's normal – exchange rates aren't, which is bad news for exporters who don't have forward cover

- The Rudd Government's extended stimulus packages, which are still running, are creating "fiscal push" and adding to the risks of inflation
- And the third way in which things are not normal is that we're not in step with other world economies, which we would normally be as we came out of a downturn
- A lot of businesses are still in difficulty, especially in tourism. We're really experiencing stagflation – a combination of contraction in some areas and inflationary pressures in others
- The Government is not dealing with this: it will cause problems in 2011
- A useful way to determine whether the country, or a business, is in recession is to measure "count data" – volumes of sales, numbers of clients – not just dollar data
- I don't buy the technical definition of recession as two quarters of negative growth – all the real indicators showed that Australia WAS in recession early in 2009, though it recovered quickly
- Similarly, the definition would suggest that Britain and the US are now out of recession, when they are still well below their pre-slump levels of economic activity

Track 4

BE READY FOR THE NEW CONSUMER LAW

Dr Michael Schaper, ACCC

- From January 1 we'll have one national consumer law and one national product safety regime, with the rights of consumers and the obligations of business standardised across the country
- Enforcement of breaches will also be clarified, and given extra strength
- There are currently 17 separate national, state and territory consumer laws, with provisions in other trading and business Acts which also apply
- Bringing all that together in one law will make it easier for businesses to comply and produce a level playing field across the whole country
- Regulators like the ACCC will get extra powers to enable them to deal with breaches in a more proportionate and balanced way
- Businesses will need to pay attention to three main areas: unfair contracts, consumer guarantees and best practice reforms
- The new law will be administered jointly by the ACCC and the state Consumer Protection and Fair Trade departments
- Action under criminal law and substantial fines under civil law will be available for major breaches

- There's also a range of powers for the ACCC, including public warning notices and infringement notices, to enable matters to be dealt with quickly without court action
- Help is available at www.consumerlaw.gov.au and www.accc.gov.au/smallbusiness

Track 5

DO YOU HAVE ENOUGH SUPER? Peter O'Toole, Portfolio & Wealth Management

- Recent research shows that only 25 percent of business owners are satisfied with their retirement planning arrangements, and only one in three intends to invest more in super after retiring
- That reflects a lack of awareness of the advantages, through Capital Gains Tax concessions and other measures, of investing in super as people consider exiting their business
- There are complex rules, but for many small businesses most of the capital gain resulting from sale of the business can be invested in super or be tax-free
- There are also tax benefits from holding life insurance and death or disablement policies within a super fund
- People who simply rely on the proceeds of selling their business to provide for their

retirement are overlooking the considerable tax advantages of super

- It's important to invest in super early on: don't leave it until you're close to retirement or you'll sacrifice thousands of dollars in tax benefits
- At least 2 years before you plan to sell the business, consult with both a financial adviser and your accountant about how to maximize the small business concessions available

Track 6

WHY FIRST IMPRESSIONS LAST

Andrew O'Keeffe, Hardwired Humans

- We generally make up our minds about people or things within the first minute of encountering them
- And our reactions take one of two forms: they're either good or bad
- We'll say we like people or don't like them. They're part of our team, or they're not
- Our initial judgement is both emotional and subconscious, but we'll filter our subsequent thinking through the screen of that judgement
- Our "gut reaction" will not always be accurate, but very often is
- It's most important to bear first impressions in mind in customer service: the first five seconds may be enough to set the pattern

- If a good first experience is re-affirmed by a second one, we'll instinctively classify the brand concerned in a favourable light. And the reverse is true too.
- Business owners and managers need to think how they can design processes to produce a positive reaction instantly, whether it's with customers or a new staff member

Track 7

DON'T PUT SQUARE PEGS INTO ROUND HOLES

Tony Gattari, Achievers Group

- Everybody has a gift, and true success and enjoyment – in both the workplace and life outside it – come from employing that gift
- Instead of forcing people into jobs they're not suited to, allow them to use and develop the things they're good at
- The four classic personality types: eagle, peacock, dove and owl can be a useful guide to people's skills and aptitudes
- Eagles like to take responsibility and to give orders, not take them. They're results-oriented, but not great team players. They'll respond well to a challenge
- Think of them as sales managers, or team leaders who'll break the mould and achieve results

- Peacocks want to be popular. They won't like paperwork and their attention to detail may not be good, but they're great motivators
- They're good with people and create fun: put them in sales or marketing
- Doves seek security and consistency. They're great followers, not leaders. They're intensely loyal, steady and reliable. They'll take on the load of others who under-perform
- They'll be good at customer service, account management or administration
- Owls counterpoint the eagle. They ask the questions and analyse. They hate risk, but will detect problems
- They'll be good in financial areas, as accountants, or in technical or engineering jobs
- If you can create a team that has the right people in the right jobs, you'll find their motivation and skill levels rise and your business will prosper

Track 8

MAKING A SUCCESS OF “MERCHANT-MATCHING”

Bruce Ahchow, Service Central

- We were faced with a chicken-and-egg situation at first: how to get both tradespeople and customers to take up the service

- We attracted some service providers by offering them free or extremely cheap membership. Many are still with us today
- To ensure dependability, we set up barriers for the providers to climb – licences and registration where appropriate, and a company code of conduct
- And customers can supply feedback – that helps to prevent tradespeople from falling into bad customer service habits
- To bring in clients, we spent millions of dollars on mass marketing, through the print media, radio, television and billboards
- As we grew, matching the numbers of tradespeople with customers became more complicated. Constant dialogue with both sides is crucial at every stage
- Merchant-matching is a growing movement worldwide – the interactive nature of the internet makes it an ideal way of bringing service providers and customers together

Track 9

A FRESH APPROACH TO SMSFs **Michael Jones, Cummings Flavel** **McCormack**

- Self-managed super funds are limited to four members, and each one must be a trustee or director of a corporate trustee

- The normal rules about prudential regulation don't apply to SMSFs, because the members are the trustees, but there is a complex set of rules to ensure that trustees do the right thing
- The Cooper Panel has approved SMSFs, but with some clear messages: focus on investment strategies and keep things simple
- There's also a change to the way penalties are applied to trustees for getting things wrong
- Previously, the only penalty the ATO could apply was to revoke the complying status of the fund, which had very dramatic tax implications
- The Cooper Panel has recommended a sliding scale of penalties, so more penalties will be imposed, but many of lesser severity
- The focus of penalties will move away from trustees to their advisers
- The panel also wanted works of art to be excluded from super fund investment, but the government rejected that
- However new rules governing storage of artworks mean you won't be able to hang them on your walls before you retire. And insuring them will be costly
- The panel has given interim approval but reserved its ultimate judgment on the question of borrowing by SMSFs, saying it will look at it again in 2 years

Track 10

SHAREMARKET UPDATE

Elio D'Amato, Lincoln Stock Doctor

- We're not enthused by the QR National float. We think it's over priced and not offering value
- The company has a high level of debt and that's expected to balloon by the end of 2012. Cashflow is not forecast to cover capital expenditure next year, let alone a dividend
- The market's experiencing a risk rally, with the appetite for risk returning, almost to the point of overheating. It's getting harder to find real value
- The US is still an uncertain factor, with "quantitative easing" – printing more money – looked to as a means of relieving the pain
- The telecommunications sector hasn't kept pace with the market rally. We like TPG Telecom which offers real value
- Among others, Wotif.com and Invocare both provide good opportunities for investors to buy in while their share prices are relatively weak

Track 11

MANAGING MENTAL HEALTH ISSUES AT WORK

Rhonda Andrews, Barrington Centre

- Mental health covers a wide range of problems: anxiety, mood changes, hyperactivity, extended sleep disturbance,

depression, leading to delusions and a loss of touch with reality

- It's a difficult area for business owners because the signs can often be very subtle
- Look for signs like decreasing concentration, loss of focus, fluctuations in output, uncharacteristic outbursts
- All companies should have their own employee wellbeing guidelines to conform with OH&S laws
- Individual cases must be handled with sensitivity – direct contact is the best way to open discussions and offer help
- We urge managers to look at the support structures people have both at work and at home, and encourage people to seek professional help
- If someone is showing extreme signs of not coping, there's support available from hospitals, crisis support teams, HR and psychologists
- Educating the workforce about problems that can arise is essential, as is having employee support systems and training managers to identify the warning signs and deal with them
- It can all start at recruitment, by identifying how resilient people are, and how they're likely to cope with workplace pressures