

businessessentials[®]

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

July 2011 | Audio CD

the extras



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Is online trading part of a consumer revolution that could signal the end for a lot of bricks-and-mortar retailers and the businesses that supply them? We've heard some giants of the retail world say the internet will never replace the showroom and the department store, and then, within months, open their own online shopping portals.

This month we'll sort out the facts from the speculation with the help of Simon Smith, from actuarial consulting firm Quantum, who's done an extensive survey on online shopping in Australia. You'll find the results thought-provoking.

Resident economist Professor Neville Norman has Happy New Financial Year wishes for us, together with a review of how Australia's key economic indicators are tracking, and their implications for business in the months ahead.

If you're contemplating moving into overseas trade, either as an exporter or importer, you'll want to hear some sound advice on trade finance from Mark Sydes of BOQ. And Roger Mendelson, of Prushka Fast Debt Recovery, has some valuable tips on how to make sure your customers pay up, and your cash keeps flowing in.

Tax expert Michael Jones talks about "peace of mind", and how to achieve it, while executive coach Peter Black extols the benefits of retaining mature age workers and why it makes good business sense. And to round it all off, Olympic Gold medallist Kerri Pottharst joins us again to talk about the importance of setting goals, both for elite athletes and everyone in business, whatever their role.

Enjoy this month's CD!

Regards

A handwritten signature in black ink that reads "Nick Schildberger". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Nick Schildberger
Managing Director

For more information about the topics discussed on this July 2011 program, please contact the relevant organisations listed below.

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SETTING GOALS – AND ACHIEVING THEM!

Kerri Pottharst, Olympic gold medalist

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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: JULY AND AUGUST 2011

14 Jul 11 **PAYG withholding:** payers must issue PAYG withholding payment summaries to employees.

28 Jul 11 **Activity statements:** Quarter 4 (April - June 2010) activity statements - final date for lodgement and payment.

PAYG instalments: Quarter 4 (April - June 2010)
- forms R and T, final date for payment and lodgement.

GST instalments: Quarter 4 (April - June 2010)
- forms S and T, final date for payment and lodgement.

Superannuation: Superannuation guarantee contributions for quarter 4 are to be made to the fund by this date.

21 Aug 11 **GST:** Final date for eligible monthly GST reporters to elect to report GST annually.

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THE ESSENTIALS

July 2011

Track 2

Online Shopping: Threat Or Opportunity **Simon Smith, Quantum**

- There's a lot of speculation about the size of the online market. Quantum has used a database of aggregated spend of more than 2 million Australians to assess the true state of play
- More than half of all Australian consumers made at least one online purchase last year
- The impact has been felt across the retail sector but it varies from category to category and according to the attitudes of the various entrepreneurs in those sectors
- Books, movies and music, electronics, clothing and homewares have done well. Online grocery purchases not so much
- Larger retailers have been slower than smaller businesses to embrace online retailing
- Loyalty is losing out to price and convenience
- Traditional retailers need to understand what makes them an attractive in-store shopping experience, they need to entertain, educate and add value
- Competing on price with online retailers will become an increasing issue

- Brand has become more important: online shoppers will have more confidence about identifying quality products and buying labels they know
- Online retailers have the advantage of online communications with their customers - but so do their competitors so no-one can afford to be complacent
- Offline retailers should evaluate whether to create an online presence to expand their market
- Look at online tools like Facebook and Twitter to establish relationships with customers
- Even if you don't sell online, you need to have an online presence these days, where more than 50% of goods purchased offline have been researched online first

Track 3

Economic Update

Professor Neville Norman, Melbourne University

- On economic activity, we're seeing a lot of negatives, as I forecast, though I didn't foresee the Japanese tsunami, Queensland floods or troublesome volcanoes
- Supply shortages of Japanese car parts and vehicles, together with the water in the Queensland coal mines, helped create the negative growth in the March quarter
- Government officials and the Reserve Bank seem convinced there'll be a full bounceback. I'm not so sure
- For small business, this means that purchasing power and confidence will be more affected than I foresaw in January. Don't be surprised to see

things like motor vehicle registrations and confidence indicators falling

- Inflation and price measures are still hovering around 3 percent. These days prices don't fall during a slump or slowdown
- Interest rates? No change from the start of the year. Maybe one more rise, particularly if Reserve Bank Governor Glenn Stevens has the casting vote
- Exchange rates are likely to stay within a fairly narrow band in the short term. I'm predicting around 95 US cents
- On budgetary policy, little to add to our recent review. The "return to surplus" target still looks optimistic

Track 4

Legal Perils In Performance Management Joydeep Hor, People + Culture Strategies

- Performance management frightens a lot of managers because it takes them outside their comfort zone, introduces an element of conflict and has possible legal or industrial relations implications. And many just lack the skills and training to do it well
- Very few organisations have the infrastructure to train managers and supervisors in the skills that the law requires
- Having a written policy on performance management can give managers reassurance about what's required of them, especially if they're dispersed at sites away from head office
- But the downside is that if a written policy is over-precise, it can easily be picked apart on small

points of non-compliance. It may become a rod for the business's back

- The key ingredient that's most often missing is training and education for managers and supervisors. And the link between contracts and performance management needs to be well synchronised
- And the business needs to "walk the talk" - treating performance issues as it said it would, so that there's no disconnect between policy and practice
- Failure to get that right can lead to serious allegations of non-compliance with the organisation's own stated policy
- Many managers are afraid to manage staff robustly for fear of being accused of bullying or harassment, but the law will support them if their behaviour is not repetitious, threatening or intimidating
- Performance management should be about the job and how it's being done, and not about the person
- But "performance" can also extend to the way in which employees relate to co-workers, and their capacity to work as part of a team
- It's important therefore for management to set out those requirements in a contract or job description, so they have some reference points to measure performance against
- Organisations should take care when promoting people into managerial roles that they equip them with the skills to carry out performance management effectively and in line with the law
- If you have written policies, make sure they're updated regularly and accord with the business's

values or mission statement and that everyone understands that

- If you get it right, you will not only make performance management easier, you'll create an aspirational environment which is the real aim of the exercise

Track 5

How To Avoid Bad Debts

Roger Mendelson, Prushka Fast Debt Recovery

- Small business is often more effective than big corporations at chasing debts and keeping the cash flowing in, because business owners see it as closely related to their own success and wellbeing
- If they delegate the task to an accountant or bookkeeper, they should ask regularly for progress reports on the status of the debts. If the reports aren't provided quickly and accurately, the system isn't working
- It's vital that someone in management has a direct role in overseeing debt collection, making sure systems are in place and that they're followed
- But it's usually best not left to the business owner - they'll be too pre-occupied with other aspects of the business to do it well
- In small family businesses, it's often the owner's husband or wife who does the books - that can work well because there's a close personal interest in seeing the money come in promptly
- Professional practices often don't handle debt collection well. In accounting firms, for instance, partners will often be reluctant to initiate action against their own clients

- In that situation, external collection agencies can be more effective because they have no emotional involvement
- Five simple steps can ensure that your credit control and debt collection systems work for you
- As above, give someone in management responsibility for the area
- Make sure you have good customer paperwork, including a credit application form with all the necessary details
- Have clear timelines for the collection process, with each stage harsher than the previous one
- Get on the phone to the customer quickly if the account is overdue, and ask them why it's not been paid
- Finally, if you're not getting anywhere, outsource to a collection agency. You'll save time and money

Track 6

Making Trade Finance Work For You

Mark Sydes, BOQ

- Small businesses are taking up importing for a number of reasons: China has opened up, the exchange rate favours them, it's easy to get to trade fairs, and younger business people are more adventurous and internet-savvy
- For exporters, it's harder: domestic labour costs have risen, and the high Australian dollar has hit at their cost-effectiveness
- International trade is not without its risks - they come in three main areas
- Economic risk is to do with exchange rates and the possibility of fluctuation

- Commercial risk may involve a bank's inability to meet its commitments, or a seller's failure to provide the required quality or quantity of product
- Political risk may involve failure to renew import or export licences, or legal protection around breaches of contract or changes in government policy
- The main challenges include access to working capital, complexity of paperwork in overseas countries, and relying on just one market or one customer for your sales
- It's also important to understand the cultural and language differences in the countries you're dealing with
- Cashflow is crucial: delays can occur for both importers and exporters - shipping, customs procedures etc - which will stretch payment times to 60 or 90 days
- This is where trade finance can help - by providing working capital to keep the business afloat until the cash comes in
- BOQ, for example, can provide a range of products, from overdrafts to collection bills of exchange and protection against exchange rate movements
- At the moment, with the strength of the Australian dollar, it's important for exporters to contain costs, perhaps rethinking their manufacturing process or importing components
- We expect the Australian dollar to remain strong, as our economy's in relatively good shape and interest rates are higher than in Europe or the US
- If you're thinking of trading overseas, talk to your accountant or financial adviser, understand the

cashflow cycle in your business and spread your supply and customer networks as widely as possible

- Find a lender who understands overseas trade, especially the risks involved, do your homework and seek the support of federal and state government bodies

Track 7

Finding Financial Peace Of Mind

Michael Jones, Cummings Flavel McCormack

- My New Financial Year's Resolution - get your tax and financial affairs in order, working with your accountant, and gain valuable peace of mind. If you're not getting the support you need, challenge your accountant or find another one
- For long term peace of mind, look at your superannuation and make sure the assets will reach the beneficiaries you intend after your death
- Your super fund's not part of your will, so the wishes you've expressed there won't help
- If yours is a self-managed super fund, you need to be clear about who'll be trustees once you've gone, and what you intend them to do
- Generally the new trustee will come from within the pool of beneficiaries - your spouse and your children, so potentially conflicts can arise
- You can make a Binding Death Benefit Nomination which directs the trustees as to how and to whom you wish the benefits to be paid
- But bear in mind that circumstances can change, tax situations can change, and the nomination you make now may not be appropriate when the time comes

- Consider whether your circumstances make a binding nomination appropriate or not, but in any case see your superannuation as part of your estate planning, and make sure your intentions are clear and properly documented

Track 8

Don't Discard Your Mature-Age Workers

Peter Black, Peter Black Coaching

- While much of the May Federal Budget focused on younger workers, there were some changes to work and training arrangements for more mature workers - defined as those 45 and over
- The government has recognised that we must increase mature age participation in the workforce- with forecast economic growth and changing demographics, we're well behind countries like the US, UK, Canada and New Zealand
- There have been other government initiatives - the Productive Aging package which supports training and mentoring and a consultative forum in conjunction with the Business Council of Australia and other groups
- A government document called Investing in Experience provides employers with a range of strategies and incentives to employ older workers
- As one of the few Certified Retirement Coaches in Australia, I see many mature employees who've left the workforce, either voluntarily or involuntarily - many want to keep on working
- I encourage them to use their experience, and to retrain to continue to be relevant, especially in technology and social media

- There's a lot of hidden unemployment among older workers - it takes them about 52 weeks on average to find a new job. For younger workers, it's 20 weeks
- Many older workers can't afford to retire, either financially or psychologically. Someone aged 50 may still have 30 years of life left - as much as they have already worked
- They need to retrain, engage in life-long learning and make use of their experience and lasting relationships
- There's a lot of low-cost training available on the internet, and they need to respect and learn from other generations, including Gen Y, which has a lot to teach them (and vice versa)
- They should also consider new ways of working - the traditional fulltime job is not so relevant any more. Contracting, job-sharing, part-time work all have their place
- Employers should consider the business case for employing older workers: in 1970, we had 7.5 workers for every person over 65; by 2050, we'll have only 2.7
- Surveys show that workers aged over 55 are more productive than any other age group, while younger workers change jobs 5 times more often
- Employers should also look at tailored training, flexible working conditions, and coaching and mentoring arrangements both up and down the generation scale
- We need a tripartite approach: government, employers and employees, with changes of attitude on all sides

Track 9

Sharemarket Update

Elio D'Amato, Lincoln Stock Doctor

- There's still a lot of nervousness in the market, which is now showing up in confidence indicators, despite the fact that most measures of the economy are still reasonably strong. But investors are reluctant to take risks
- The global economy continues to weigh down on sentiment - Greece is a real mess, and we knew that the US recovery would be a slow and drawn-out affair
- Europe will go through more pain, but in terms of Australia's development and future, it plays a tiny role these days. It's a confidence thing
- At home, the two-speed economy is casting a shadow and it's worrying to hear the Reserve Bank still sounding hawkish on interest rates
- A rate rise wouldn't help the retail industry, which is still suffering, or property, which is coming off some historic highs
- On the stock market, we may see continued range trading until the next reporting season, some months away
- Meanwhile it will still respond to good news from China, and we remain very optimistic about the China story
- Their latest 5 Year Plan focusses on increasing domestic consumption and moving people into the cities where the jobs are
- Our hope is to be able to benefit from that prosperity, accepting Chinese businesses here with the investment they bring

- We have two new Star Stocks: ANZ, with its Asia focus, and TechnologyOne, an IT outsourcing business with good prospects for growth
- We've been looking at the industry sectors that are doing well in the two-speed economy, and obviously mining and mining services are the stand-out performers, even though share prices took a hit in the latest correction
- Telecommunications is also doing well as the NBN approaches, and healthcare remains a good defensive sector

Track 10

Negotiation And The PROBE Technique

Tony Gattari, Achievers Group

- I learned the hard way how to negotiate during my early days at Harvey Norman, back in the days when it was just a discount store
- The computer division was turning over about \$12 million a year. To grow and gain credibility we needed to have the big brands: Compaq, IBM and Apple
- They weren't keen to join a discount store so I needed to do a lot of negotiating. We were successful and as general manager, I oversaw growth from \$12 million to \$570 million, transforming Harvey Norman in the process
- I learned the PROBE technique to negotiating:
 - P stands for preparation. I'd prepare months in advance, learning as much as possible about the organisation in advance of the meeting
 - R is for rapport, working out how to position chairs at the meeting, understand body

language, deciding how to shift gears to match the personality of the person with whom I was meeting

- O is for opening. You want to drive the agenda. Show that you're prepared to walk away, and don't allow yourself to become emotionally involved
- B stands for bargaining. Ask for more than you really want to allow room for concessions. Use the flinch, which means responding with astonishment at the offer, "That's ridiculous. You have to do better than that!" Arrange back-to-back meetings with competitors so they encounter each other outside your office door
- E is for the end. When you reach an agreement, make sure you put it in writing. Send a confirmation email within 24 hours.

Track 11

Setting Goals - And Achieving Them!

Kerri Pottharst, Olympic Gold Medallist

- In sport or in business, we need to set goals, put a date to them and keep them visible to remind ourselves what we're trying to achieve
- It helps to break the goals down into "bite size chunks", with each small stage reached taking you closer to your objective. Every little win gives you the confidence and energy to move forward
- A little fun helps too - Natalie Cook and I collected gold-coloured things (not necessarily real gold!) to remind ourselves constantly of our goal. Our family and friends joined in as well

- Back in 1992, recovering from my knee injury, I wrote my goals on a volleyball so they were always there in front of me. It helped!
- Don't be afraid to make your goals visible to others. They'll enter into the spirit of it, enquiring about your progress and encouraging you to the next stage
- In the lead-up to the Sydney Olympics, we built a team around us called the "Dream Machine", covering every aspect of our preparation
- The same can apply in business - you may start out by yourself, then add people with the skills you need to achieve success
- I did that when I decided to self-publish my book - getting referrals from others and building a team which is still together
- Talking to business people now, I stress goal-setting, self-belief, commitment and resilience. How do you react when you get knocked down? Do you give up, or get up and start again?
- Natalie and I resolved to learn from everything that happened to us. We'd ask ourselves: "how do we make it better?"
- Maintaining a positive, forward-looking approach and keeping your goals in mind will help you achieve them in the end