

# businessessentials<sup>®</sup>

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

September 2011 | Audio CD



the extras



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There's no getting away from social networking these days, is there? With the media full of stories about phone hacking and other invasions of privacy, with Facebook and Twitter apparently indispensable to anyone under 30, and with pundits urging us to revamp our marketing strategies to include the social sites, we're in the middle of nothing less than a communications revolution. In this month's program, we look closely at two aspects of that revolution which have a direct bearing on how we run our businesses. First, online reputation expert Gerry McCusker tells us how to avoid falling victim to complaints which can snowball into branding disasters. Then, workplace relations lawyer Joydeep Hor looks at the legal issues that can arise when employees overstep the bounds of propriety on social networks, even if it happens outside working hours.

With consumers increasingly wary about parting with their cash, the question of pricing is high on the agenda again. We asked expert Jon Manning for his advice on how to maintain sensible pricing strategies that will meet the needs of customers and the bottom line.

And on the topic of strategy, the highly experienced business strategist Christopher Tipler gives us an insight into a radical approach which he believes can help us transform our businesses.

Tax specialist Michael Jones, of Cummings Flavel McCormack, tells us how to manage an ATO review; while our regular investment analyst, Elio D'Amato from Lincoln Stock Doctor, guides us through the sharemarket mayhem to look for solid ground on the other side.

And in the midst of all this, if you're facing a skills shortage in your business, immigration lawyer Katie Malyn explains how to go about hiring people from abroad to fill the gaps.

Enjoy the program,

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 2011 program, please contact the relevant organisations listed below.

### **PRESERVING REPUTATION IN AN ONLINE WORLD**

**Gerry McCusker, Engage ORM**

[www.engageorm.com](http://www.engageorm.com)

### **THE LEGAL RISKS OF SOCIAL NETWORKING**

**Joydeep Hor, People+Culture Strategies**

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### **MANAGING TOUGH PRESSURES ON PRICING**

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### **WHY ECONOMIC INDICATORS MATTER**

**Professor Neville Norman,**

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### **RADICAL STRATEGY TO TRANSFORM YOUR BUSINESS**

**Christopher Tipler, Author, Corpus RIOS –**

**The how and what of business strategy**

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### **THE ROLE OF REGIONAL BANKS**

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### **HOW TO MANAGE AN ATO REVIEW**

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### **SHAREMARKET UPDATE**

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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 2011

- 21 Sept 11** **August 2011 Monthly Activity Statement:**  
final date for lodgement and payment.
- 30 Sept 11** **PAYG:** withholding payment summary annual report for a payer who has agent (BAS agent or tax agent).  
**Annual TFN Withholding report** - due date for lodgement where a trustee of a closely held trust has been required to withhold amounts from payments to beneficiaries.
- 21 Oct 11** **Monthly activity statement for September 2011.**
- 28 Oct 11** **Quarterly activity statement:** quarter 1, 2011-12 -tax agent and BAS agent - paper lodgement.  
**Superannuation guarantee contributions, for quarter 1, 2011-12:** contributions to be made to the fund by this date.  
**Annual activity statement:** TFN Withholding for closely held trusts - due date for lodging and paying where a trustee of a closely held trust withheld amounts from payments to beneficiaries during the 2010-11 income year.
- 31 Oct 11** **Income tax return for all entities:** where one or more prior year income tax returns were outstanding as at 30 June 2011.  
**Quarterly TFN report for closely held trusts for tax file numbers (TFNs)** quoted to a trustee by beneficiaries in quarter 1, 2011-12.

For more visit our website, [www.cfmc.com.au](http://www.cfmc.com.au)

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# I UNDERSTAND the needs of small business owners.

*After all,  
I am one too.*

My small business is just like yours. It comes with long hours, different management roles, the challenge of keeping staff and customers happy, as well as the odd sleepless night. The only difference is, my business is a BOQ branch.

As a BOQ Owner-Manager, I not only run my local branch, I own it as well. This gives me a greater understanding of what my small business customers go through each day. It also allows me to really get to know my customers and give them the personal service and timely decisions they need to help their business succeed.

Ask yourself, would your bank do this?

*Sean O'Donoghue*  
*Owner-Manager*

To find your local Owner-Manager  
visit [boq.com.au](http://boq.com.au)  
or call 1300 737 766.

The BOQ logo consists of the letters 'BOQ' in a white, bold, sans-serif font, set against a blue square background with a yellow triangle pointing upwards from the bottom-left corner.

Your own personal bank

# THE ESSENTIALS

## September 2011

### Track 2

#### **Preserving Reputation In An Online World** **Gerry McCusker, Engage ORM**

- Online media are absolutely crucial to business reputation. It's not just how you can be found on Google or Bing, it's what is said about you
- You have to treat digital and social media as a conversation, in which you can influence or inform what is being said about you
- We can not manage or control things that are said about us or our business online, but those things will be influenced by what we do and say
- Not everyone is a good communicator, or with the time to devote to Facebook or Twitter, so don't jump into it unthinkingly. Decide first what you want to get out of it and what are the potential risks. And seek help
- Passing the task of managing social media down the line to a junior employee can run the risk of a loss of authenticity
- And using fake email accounts to extol your own virtues won't work. It's too easy to trace them back to their source
- There are more technological developments on the way - devices that will pinpoint where you are and send localised marketing messages to your phone, and facial recognition software which can identify your location and how you're behaving

- If an executive is found to be visiting sleazy clubs, or even competitors' offices, on a regular basis, it will cause questions to be asked
- If the context is considered inappropriate, your reputation will be damaged - you'll no longer be an "unblemished potato"

### **Track 3**

## **The Legal Risks Of Social Networking** **Joydeep Hor, People + Culture Strategies**

- Courts have brought down judgements both for and against employers in cases arising from comments made by disgruntled employees on social media sites
- It's early days yet. More cases can be expected, as employers try to work out the best approach to handling the use of social media by employees
- The informality of social media sites, and their relaxed use of language, can make it hard for employers to work out what is acceptable, both inside and outside working hours
- It's more useful to see the issues as bearing on the relationships of employees with each other and their employer, rather than on the space and time of the workplace
- Sites like LinkedIn can be invaluable for employers recruiting new staff, helping them choose suitable candidates, but it's important not to run foul of anti-discrimination laws in the process
- In cases of cyber-bullying, employers need to consider how the behaviour is influencing conditions in the workplace, even though it may be conducted out of hours

- Leaders in business must be aware of the real culture within their organisation, not just the one that they think and hope is being followed
- A written policy on using electronic media must include use of social media, in and out of working hours, but it must also include a strong element of education, since one's in doubt about where the boundaries lie
- Without a clear written policy, it will be hard to convince a court or tribunal that you've done everything possible to avoid problems arising

## **Track 4**

### **Managing Tough Pressures On Pricing**

**Jon Manning, Pricing Prophets.com**

- If retailers are trying to sell product without a convincing value proposition, in an environment that's not attractive to customers, or simply because they've overordered stock nobody wants, pricing strategies won't help them
- But firms like Spanish retailer Zara can show the way: listening to their customers, making goods quickly to meet the market, carrying limited stocks and pricing very competitively
- To restore margins, it's going to be critical to add value to your goods or services when consumers start spending again
- The surge in online retailing has created confusion, as retailers try to decide whether to sell at the same price online, or higher or lower
- Some are using online to dispose of distressed stock, others to maintain their brand premium by selling a different product online - many are just following their lead without having a proper strategy

- The UK economy is in much worse shape than ours, but shows that markets don't behave evenly: some areas are really struggling, others doing much better
- In China, many large companies are keen to increase their prices: the days of the low "China price" are over
- Avoid cost-plus pricing, customers only care whether they're getting value for money, so price for value. Costs are only valid for measuring profitability
- In some cases, pricing for value can be measured by the economic benefits of the product to customers, by increasing their profits, lowering their costs or reducing risks. In other cases, it's more subjective, but can still be identified through good research
- Pricing Prophets.com is a new service which enables small to medium businesses to access advice on pricing from local and global experts at a reasonable cost - the only one of its kind in the world
- A small change in price - perhaps as little as one per cent - can make a big difference to the bottom line, sometimes the difference between profit and loss

## **Track 5**

### **Why Economic Indicators Matter**

**Professor Neville Norman, Melbourne University**

- In business, it's helpful to be familiar with the meaning of commonly used economic indicators - acronyms like GDP (Gross Domestic Product); CPI (Consumer Price Index) and PPI (Producer Price Index) I
- I use a 7-point check list: the first looks at activity indicators, which show real purchasing power, critical to a business's demand base
- Second: inflation pressure. Not something we worry about much, so long as it stays within the 2 to 3 percent target range, but it affects our planning

- Third: interest rates, about which I get more questions than any other indicator
- Fourth: exchange rates. Still important even if you don't import or export. The whole economy is interconnected
- Fifth: Budget policy. Important all year round, as the main way the Federal government exerts its influence on the economy
- Sixth: industrial and environmental policy, mostly the latter at present and a source of unpopularity for the Gillard government
- Finally, relevant global conditions. They may not seem directly relevant to your business, but don't ignore them. The American subprime problem led directly to the GFC, which affected the GDP of every major economy, including Australia
- We avoided recession, but face problems now because people got too cocky about our "miracle economy"
- In summary, these indicators affect us all, even if we're just running a small business in a suburb or regional town

## **Track 6**

### **Radical Strategy To Transform Your Business**

**Christopher Tipler, Author, Corpus RIOS**

- Business planning used to be over a 5-year cycle, but now it's much shorter, with the annual budget a dominant factor. It's a way of getting into trouble quickly

- Smaller businesses tend to be long on ambition, but short on capability and resources, particularly money. This inhibits proper planning
- I realised that business was failing at strategic planning, and tried to understand why. Then I wrote a book about it
- Strategy is about matching ambition with capability. Imagination relates to ambition, and realism to capability
- Most planning models fall short on process - how do you do it?
- My book, Corpus RIOS - standing for Realistic Imagination of Success - leads you through a series of steps towards capability. The first is analytical, asking the question "So What?"
- Next is Purpose - the definition of the business, then What Does Winning Look Like? - creating a vision of future success
- The next level is to decide what we must excel at to win - to define up to 8 "Arenas" for success
- Then "Recitals", where we ask what it means to excel in those arenas. From that point, you should be able to say what you will do to succeed
- Finally, we talk about principles, not values. I believe values simply get in the way of good business
- It's a very practical approach which people can relate to quickly and which makes them want to get started straight away
- I advocate thinking like a moneymaker. Business is about making money, but we're very apologetic about it these days
- It's not very complicated. There are only four aspects to business: sales, margins, overheads and assets

- Moneymakers are more like wolves - but nice wolves - than sheepdogs. They know where they're going, and they cut through
- Many people in business want the waters always to be smooth, but they never are. We just have to get on with it

## **Track 7**

### **The Role Of Regional Banks**

**Ram Kangatharan, BOQ**

- The key thing customers want is clarity. Having a good relationship with their local bank manager can ensure that's what they get
- It will also allow the bank manager to champion the customer's cause through the normal bureaucratic processes of the bank, so that their needs are met
- Although we have a national footprint, we regard ourselves as a community bank, with a close rapport at the local level through our owner-managers
- We're able to grow our branch network without a large incremental capital cost. Ten years ago we had 70 branches, now we have 270
- We've tightened up our procedures for recruiting new owner-managers. We look for people who are solidly placed in their communities, top-notch bankers and good relationship managers
- Many people in regional Australia have been hit by tough times: the high Australian dollar hurting export industries and tourism, and cyclones and floods following drought in some areas, but our owner-managers are well-placed to offer expert advice and assistance
- Politicians often see competition in banking as being related only to price, but things like exit fees are only

one aspect of the equation. It's important that customers have a diverse range of offerings to choose from

- New technology is offering customers a wide range of options for their banking, but we believe there are some who will still want to know who they're dealing with and who they can call when they have a problem
- That's where our owner-managers come in: they're in it for the long haul and know their customers are their greatest asset

## **Track 8**

### **How To Manage An ATO Review**

**Michael Jones, Cummings Flavel McCormack**

- The ATO develops policy and practices on a broad nationwide level, but when it wants to know what's in your pocket, the questions become very personal
- If you're subject to review, the first thing you need is to be really clear about the point of contention behind their questions, and find out whether it's a sensible query
- Be helpful. There's nothing to be gained by being obstructive. The person you're dealing with may be influential in the outcome
- Keep it formal. Keep records of your dealings and - if they're asking for documents - consider whether those documents may be confidential to a third party
- Whether the ATO's approach is formal or informal, respond carefully and avoid off-the-cuff comments
- If you receive a visit, ask for the officer's ID and authorisation - read it and check that it in fact authorises what is happening. Take a note of what the authorisation says: you won't be able to photocopy it

- In a business situation, have one person from the business who is the point of contact with the ATO
- Prepare a brief manual which sets out what your staff members need to do in the event of ATO queries
- The ATO has guidelines on what its officers can do, and a taxpayers' charter. It's available from [www.ato.gov.au](http://www.ato.gov.au) or email me at [mjones@cfmc.com.au](mailto:mjones@cfmc.com.au) and I'll send it to you
- If you are not treated fairly or reasonably, you are entitled to redress
- If in the end the ATO decides an issue differently to you, you have the right of appeal to the ATO, the AAT or the courts
- On another topic, a recent Tax Office draft determination addressed a bank product that used a line of credit to meet interest payments on an investment loan and at the same time accelerated home loan repayments. The ATO has ruled the arrangement to be a tax scheme, and tax benefits under the arrangement would be denied
- If you're contemplating using a bank product to achieve that result, take advice first. There may well be a satisfactory way of doing it that will not fall foul of the ATO

## **Track 9**

### **Sharemarket Update**

**Elio D'Amato, Lincoln Stock Doctor**

- The continuing global concerns about the US and Europe have been frightening investors all over the world, and Australian markets have been suffering wild swings as a result
- The US owes \$14 trillion - twice as much as was potentially at risk worldwide during the GFC. We're

lucky that, in trade and investment terms, we're not so reliant on the US any more

- Sadly, we're not immune from the gyrations of the global economy. Forty percent of investment in the Australian share market is held overseas - that means money will be moved out to shore up positions elsewhere
- Our economy is still operating at two speeds, with the East coast verging on recession while the mining boom continues strongly. The Reserve Bank has cited global concerns as a reason for holding off on interest rate rises
- But there is still good news in the economy, and opportunity on the stock market. Even the mining sector was hit hard during the recent volatility, but it's still providing solid results and strong forecasts
- The recent reporting season has provided cause for hope, with mining and mining services companies to the fore. The banks have been very steady, while cautious about the future
- Retail has been a mixed bag - some good results, some shockers - and manufacturing will be a stockpicker's market for the immediate future
- Looking at particular stocks, Rio Tinto continues to do well, especially in iron ore. Coal & Allied, one of our star stocks has been taken over, which underlines the impression that major investors aren't fazed by the coming carbon tax. They still see Australian coal mining as a growth area
- Bradken, a small engineering company and borderline star stock, beat our expectations, growing earnings by 3 to 5 percent
- The Commonwealth Bank produced a super result, improving earnings across most of their divisions,

while JB Hi-Fi, whose stock price has been down, recorded a 14 percent rise in earnings

- And Domino's Pizza recorded impressive growth both here and in their European division and forecast it to continue. They have a great recipe for success

## **Track 10**

### **Hiring Employees From Overseas**

**Katie Malyon, Katie Malyon & Associates**

- It surprises many people that one in four in the Australian workforce is here on a visa
- One in ten is on a temporary visa, which has a use-by date or may come with conditions about their employment - type of work, health insurance requirements or working hours
- Prospective employers of foreign nationals need to be familiar with those requirements
- The medical and health industries, and mining and resources, are heavy users of foreign nationals in their workforces
- But small business too often employs people who may have arrived as backpackers and proved to be particularly useful
- Employers need to remember that it's now a criminal offence to employ someone who's in breach of their visa conditions
- There are five main pathways to securing temporary visas, and five to securing a permanent visa
- For temporary workers, employers need to check their eligibility for the job, and that they have any necessary licensing or registration qualifications
- Then you need to consider contractual obligations and whether they meet Immigration Department requirements, and tax obligations

- Employers will need to verify the potential worker's employment experience, and also be prepared for a request to stay on in Australia when the visa is expiring
- Advice is available to small business through Immigration Department Outreach officers and, while many business owners try to deal with it themselves, it's a very complex - and fast-changing - area of law. Outsourcing is often preferable
- Government monitoring of the whereabouts and working conditions of visa holders is intense, with more money provided in the recent Federal Budget
- There's also a "dob-in" line which is frequently used to report alleged malpractice in employing foreign expatriates, or visa holders working illegally
- If you're looking for staff, don't overlook the students who are here, or backpackers who can work for 6 months with one employer before moving on. Students who've graduated can stay here, employed or not, for a further 18 months
- If you have someone you wish to retain as a sponsored employee, the 457 visa - which is a pathway to permanent residence - is a good option to pursue