

Chartered Accountants

# Business **in focus**

Monthly audio program > presented by Michael Schildberger

May 09

## Should Firms Diversify?

*- asks Graham Haines*

**The extras**



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Now is the perfect time for clients to grow their businesses, taking advantage of those whose businesses might be going under. Now, also, is the time to consider whether they should diversify – deliver cheaper or maybe more expensive products and services, or introduce a new range to find another niche. The experts are giving this kind of advice because they argue that now is when the strong get stronger and the weak get weaker. These economic times provide opportunities therefore that will enable many businesses to grow not only in the short term but also when economic recovery gets underway which it inevitably will. On this month's program we hear from consultant Graham Haines on the topic of diversification – the pros and cons. And DC Strategy's Managing Director Adrian McFedries gives us much motivation to take action sooner rather than later.

And perhaps you should think about taking action to develop your own, or your firm's, personal branding. Sue Currie of Shine Communications tells us about the advantages.

How important is innovation to chartered accountants? Anthony Francis of Flinders Partners and a chartered accountant himself says it can make a huge difference and explains how.

As well as Stock Doctor Tim Lincoln's regular sharemarket update, Adrian Rowley of London Partners gives us his thoughts on investment in the current market.

Enjoy this month's program and I hope you gain plenty of value.

A handwritten signature in black ink that reads "Michael". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Michael Schildberger  
Executive Chairman.

**Executive Chairman**

Michael Schildberger

**Managing Director**

Nick Schildberger

**Advertising/Sponsorship**

Nick Schildberger  
nschildberger@be.com.au

**Production Manager**

Heather Dawson

**Chief Editor**

John Hounslow

**Producer**

Bob Kearsley

**Studio Manager**

Peter Letts

**Publisher**

Business Essentials Pty Ltd  
ABN 98 006 144 449  
405 Riversdale Road,  
Hawthorn East VIC 3123  
Phone (03) 9882 8333  
Fax (03) 9882 8017  
Website [www.be.com.au](http://www.be.com.au)

### Track 1

## YOUR PERSONAL BRAND

Sue Currie, Shine Communications

- > Understand who you are and the perceptions others have of you to make your mark
- > Create and maintain an identity so that clients want to work with you. Business is personal
- > The four phase process to developing a personal brand is defining the brand personality, packaging the brand, brand presence plus projection and communication of your brand
- > You are more than just the outer visual image you portray. Everything about you communicates your brand
- > Create brand visibility and awareness of who you are and what you do

### Track 2

## INNOVATION – LOOK INSIDE AND OUTSIDE

Anthony Francis FCA, Flinders Partners

- > Innovation is a process which needs a framework of improvement to learn from rather than a judgemental and sorting process
- > Look for innovation from inside and outside. Outside ideas are usually not limited by the existing way things are done
- > In any time innovation is paramount. The only true competitive advantage comes from owning a market and that market demands innovation
- > Universities can be great places to source innovation and to make partnerships with your firm

## This month's essentials

### Track 3

## ECONOMIC UPDATE

Professor Neville Norman, Melbourne University

- > Latest economic assessment: the bad news continues, except for the stockmarket rallies
- > Unemployment is a lagging indicator – don't use it for forecasts
- > The Budget: this time, the hardest to frame in decades
- > Already the biggest budget estimate turnaround in history:

| Fisc Balance\$bn       | 2008/09      | 2009/10      | 2010/11      | 2011/12      | 5yrs to June 2012 |
|------------------------|--------------|--------------|--------------|--------------|-------------------|
| May 08 Budget          | <b>23.4</b>  | <b>22.4</b>  | <b>22.3</b>  | <b>22.6</b>  | <b>90.7</b>       |
| Nov Mid Year Review    | <b>5.8</b>   | <b>7.1</b>   | <b>6.7</b>   | <b>10.1</b>  | <b>29.7</b>       |
| Feb Fiscal Update      | <b>-22.4</b> | <b>-33.3</b> | <b>-31.5</b> | <b>-23.9</b> | <b>-111.1</b>     |
| Turnaround in 9 months | <b>-45.8</b> | <b>-55.7</b> | <b>-53.8</b> | <b>-46.5</b> | <b>-201.8</b>     |

- > The dramatic changes reflect the economic downturn, eroding revenue and boosting welfare payments, and policy changes
- > The stimulus packages leave a large legacy for future taxpayers to fund, increasing the prospect of higher interest rates
- > There'll be great pressure to haul back the ballooning deficits quickly

### Track 4

## OPPORTUNITIES NOW FOR GROWTH

Adrian McFedries, DC Strategy

- > In strong times money flows in with little effort. We argue that a lot of money is still left on the table and that's what people look for now
- > To grow now you need to strengthen your banking relationship
- > Yes, many businesses are down but many others are doing very well
- > Uncertainty is the biggest enemy so backing yourself with a strategy is important
- > Nothing is worse than stagnation or the inability to make a decision
- > If competitors collapse it's likely that 90% of their customers are shopping elsewhere. Why not with you?

## Track 5

**SHOULD FIRMS DIVERSIFY?**

Graham Haines, bpi consultants

- > If you're thinking of diversifying, first try to identify your competitive advantage
- > Decide whether you should aim for new products or new markets
- > Talk to customers of other businesses to see if you're on the right track
- > Differentiate your product, other than by price
- > If that's not possible, find another way of adding value e.g. timely delivery
- > Don't forget to guard your own market while you're trying to penetrate someone else's

## Track 6

**SHAREMARKET UPDATE**

Tim Lincoln, Lincoln Stock Doctor

- > I think we're nearing the bottom of the trough
- > We all should have seen the gradual deterioration of the market for the four previous years
- > Excessive life styles were a sign of bad things, along with increasing interest rates and increasing inflation
- > Before buying any share we must look at the financial health of the company
- > Favourite stocks: CSL, Cochlear, IMF, The Reject Shop, Reckon, JB Hi-Fi, Woolworths, Wotif.com

## Track 7

**INVESTMENT IN THE CURRENT MARKET**

Adrian Rowley, London Partners

- > The Australian sharemarket has bounced 19% off the March 6 low, but is still some 45% or 3000 points off where it was 18 months ago
- > This produces the opportunity for investors over the next 1, 3, 5 years and beyond
- > The global economic environment will continue to deteriorate for part of this year, but the sharemarket is a discounting mechanism that looks 12 months ahead
- > The foundations for the next bull market are being laid now
- > This should bring global growth return in 2010, which in turn will start a sustainable market recovery this year

## This month's essentials

### Track 8

## AVOIDING STAFF RETRENCHMENTS

Joydeep Hor, Harmers Workplace Lawyers

- > Employers are looking for alternatives to retrenchments because they know the good times will return. Terminate in haste and you'll repent through recruitment processes later
- > Alternatives include making full-time roles part-time
- > Look for valid consent from employees and don't make assumptions about what's best for them. Discrimination claims may result
- > Other options include a hiring freeze, job-sharing, asking staff to take leave
- > Understand the employees' viewpoint. They may be apprehensive about the consequences later of reducing hours now

### Track 9

## REPAIRING A FAILING PARTNERSHIP

Robin Power, Affinity Maker

- > If your partnership's in trouble, check whether the original objectives are being met, or whether they've become unrealistic
- > A lack of clear and agreed purpose can cause confusion and uncertainty
- > Poor communication will lead to a lack of trust at all levels
- > Is one of the partners becoming impatient that things aren't happening quickly enough?
- > Beware the partnership formed over a CEO lunch – instant chemistry won't be enough to sustain it
- > Repairs will often succeed, once the partners recognise that they have a problem

### Track 10

## CHOOSING YOUR BUSINESS LOCATION

Peter Buckingham, Spectrum Analysis

- > Mine your database – identify who your customers are and where they're located
- > Census information, local demographics, types of business in the area can all play a part
- > Decide whether your business depends on "spontaneous" customers (passing trade) or whether they'll seek you out
- > Don't choose a location on a whim – a rigorous process, using careful research, will serve you better
- > If you're a franchisor, you may need to justify your decisions in court if things go wrong

# Information

07

For more information about the topics discussed on this May 2009 program, please contact the relevant organisations listed below.

## YOUR PERSONAL BRAND

The Institute of Chartered Accountants in Australia  
1300 137 322  
[www.charteredaccountants.com.au/training](http://www.charteredaccountants.com.au/training)

## INNOVATION – LOOK INSIDE AND OUTSIDE

The Institute of Chartered Accountants in Australia  
1300 137 322  
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## ECONOMIC UPDATE

Professor Neville Norman,  
Melbourne University  
**Email:** [neville.norman@unimelb.edu.au](mailto:neville.norman@unimelb.edu.au)

## OPPORTUNITIES NOW FOR GROWTH

Adrian McFedries, DC Strategy  
**Tel:** 03 8102 9200  
**Email:** [growth@dcstrategy.com](mailto:growth@dcstrategy.com)  
**Website:** [www.dcstrategy.com](http://www.dcstrategy.com)

## SHOULD FIRMS DIVERSIFY?

Graham Haines, bpi consultants  
**Tel:** 03 9870 5159  
**Email:** [ghaines@bpisurveys.com.au](mailto:ghaines@bpisurveys.com.au)

## SHAREMARKET UPDATE

Tim Lincoln, Lincoln Stock Doctor  
**Tel:** 1300 676 332 or 03 9854 9444  
**Website:** [www.lincolnindicators.com.au](http://www.lincolnindicators.com.au)

## INVESTMENT IN THE CURRENT MARKET

The Institute of Chartered Accountants in Australia  
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## AVOIDING STAFF RETRENCHMENTS

Joydeep Hor, Harmers Workplace Lawyers  
**Tel:** 02 9267 4322  
**Website:** [www.harmers.com.au](http://www.harmers.com.au)

## REPAIRING A FAILING PARTNERSHIP

Robin Power, Affinity Maker  
**Mob:** 0404 114 751  
**Website:** [www.affinitymaker.com.au](http://www.affinitymaker.com.au)

## CHOOSING YOUR BUSINESS LOCATION

Peter Buckingham, Spectrum Analysis  
**Tel:** 03 9882 6488  
**Website:** [www.spectrumanalysis.com.au](http://www.spectrumanalysis.com.au)

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

**Australia**  
Melbourne +61 (0)3 8102 9200  
Sydney +61 (0)2 8220 8700  
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