

BusinessPlus+ Newsletter



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Issue – November 2017

Export Market Development Grant Application

If you wish to lodge an Export Market Development Grant for the year ended 30th June 2017, the application **must be lodged by 30th November 2017**.

If you would like our assistance preparing your application, please contact us urgently.

Shop Small

Extracts from “The Economy of Shopping Small 2017 – American Express”.

The November 2017 “Shop Small Report” included some interesting comments from and about small business in Australia:

- “We now live in a global village where you can buy anything, from anywhere, at the click of a button”.
- “Households across the country spend more than \$90 billion each year at small businesses”
- “You’ve got to stay 100% focused on the running of the small business because if people don’t get the right product, or don’t get the freshness they expect, they’ll drop you and move on”.
- “Only 10% of consumers reported being able to get everything they want from local, small businesses. This was down significantly from 17% last year”.
- “Small businesses really are the heartbeat of the local community. Often these small operators underestimate the value and contribution they deliver to our communities”.
- “Consumers also named higher prices (61%) limited product range (33%) and limited opening hours (20%) as some of the factors preventing them from buying from small businesses”.
- “Small businesses keep the community going because they employ people. When people spend money in the local shops, it stays in the community”.
- “To be successful as a small business owner you need to work hard. It’s important to be there. Treat every complaint as a question that can be answered, not as a reason for confrontation”.
- “On average, small business owners reported working with 5.4 local businesses during the past year, mostly with professional services firms like lawyers and accountants or food retailers including grocers and convenience stores”.
- “Running a small business is hard work. You need to forego some of your free time and be sincere. If you’re not real, people see through you”.
- \$0.42 of each dollar spent with small businesses is reinvested into the local community – \$0.27 going towards salaries of local workers, \$0.12 going to local business suppliers, and the remaining \$0.03 going to support local charities, schools and sponsorship”.

If you would like to access a copy of the “Shop Small Report” ([click here](#)). Would you like to have a discussion with us on any questions that relate to your business that these quotes from the “Shop Small Report” have prompted?

Business Prompts

Early Stage Innovation Company

- If your company is under 3 years old and you have developed a new product, process or service, then it is probably worth your while talking to us to determine whether your company would qualify as an Early Stage Innovation Company.

Personal Property Securities Register

- If you have stock or plant and equipment stored at someone else’s premises, have you analysed the commercial risks that you are running if a liquidator is appointed to your customer or to the owner of the premises? A good risk management strategy will be to register your customer and the owner of the premises on the Personal Property Securities Register.

Debtors days outstanding

- Are you concerned about the amount of money owed to you by your debtors? Do your debtors days outstanding exceed 45 days? Are you incurring significant bad debts?

If any of these situations relate to your business, why not contact us for a review of your debtors’ management system to determine if any changes can be made to improve the efficiency of debtors’ management within your business.

Directors Role In A Small/Medium Business – Part 3

Responsibilities of Directors

The Corporations Act identifies that directors have wide responsibilities relative to the operations of the company. The key responsibilities of a director include:

- Appointment of the Managing Director or Chief Executive Officer
- Monitoring systems for:
 - asset acquisition
 - intellectual property development and protection
 - registration of patents
- Accounting systems for
 - debtors
 - inventory
 - creditors
 - bank accounts
- Workplace Health and Safety – has management introduced appropriate systems and is there a regular monitoring of the operation of those systems?
- People/Fair Work Australia – the directors need to ensure that the “people policies” that have been introduced by management and approved by the Board of Directors are operating in an appropriate manner.
- Risk Management – has management implemented an appropriate risk management review process for the business and is there regular monitoring on the effectiveness of the system?
- Cashflow Management – is management monitoring the day-to-day investment in debtors, inventory, bank accounts in accordance with the policy signed off by the directors?
- Environmental Issues – has management implemented appropriate systems to monitor the company’s potential responsibilities for the environment?
- Financing Arrangements – bank negotiations, capital raising e.g. Crowd-Sourced Funding or Early Stage Innovation Company Equity Raising – do you need to consider these options?
- Payment of Taxation – are payments being made on time?
- Taxation Systems – is management responding to changing requirements from the Australian Taxation Office e.g. “single touch payroll”?
- Payment of Superannuation – are superannuation contributions being made when required?
- Customers – has management implemented appropriate systems for welcoming of new customers and keeping all customers aware of the products and services that the company can provide? Does the Board of Directors receive regular reports summarising the current situation with customers, particularly any complaints?

In summary, the director’s responsibility is to ensure that management has implemented appropriate systems for the monitoring of each of these items and for regular reporting to the Board of Directors that the systems are operating in

the manner that was envisaged when the directors signed off on the individual policies.

Directors cannot sign off on a policy and then ignore what is happening on an ongoing basis. Directors have a responsibility to monitor the company's procedures to ensure that the system, that the board has approved, is operating satisfactorily. If the directors observe that the system is not operating satisfactorily, it is then up to the directors to ensure that appropriate remedial action is taken to ensure that the systems are operating at a very satisfactory level.

If you would like to have a discussion with us relative to the responsibilities of directors, please do not hesitate to contact us.

What Makes A Genuine Business? – Tax Office Rulings

A common question that arises during the course of each year is someone talking about the fact that they are carrying on a genuine business and do they have to pay tax on their earnings or can they claim tax deductions on a host of various items. This topic can get pretty finicky, but the usual starting point for discussions to determine if someone is carrying on a business is set out in "Tax Ruling 97/11 Am I Carrying on a Business of Primary Production".

Although the title talks about primary production, this ruling is the key ruling often used by the Australian Taxation Office and sets out the indicators that the courts have stated are relevant:

- Whether the activity has a "significant commercial purpose or character".
- Whether the taxpayer has more than "just an intention to engage in business".
- Whether the taxpayer has a "purpose of profit as well as a prospect of profit from the activity".
- Whether there is "repetition and regularity of the activity".
- Whether the activity is of the "same kind and carried on in a similar manner to that of the ordinary trade in that line of business".
- Whether the activity is "planned, organised and carried on in a businesslike manner such that it is directed at making a profit".
- "The size, scale and permanency of the activity".
- Whether the activity is "better described as a hobby, a form of recreation or a sporting activity".

These tests are pretty specific and outline simple tests which, if answered, give a good indication of whether someone is carrying out a genuine business or a hobby.

If you are thinking about an activity and you would like some clarification of your potential status, please contact us.

What Is Equity Crowdfunding? – Enable Funding – www.enablefunding.com

Equity Crowdfunding is a new way to connect companies and investors through an integrated online digital portal/site.

Unlisted companies, start-ups and small businesses can access equity crowdfunding sites to raise capital from large groups of investors (the "crowd") via online equity crowdfunding platforms, such as Enable Funding.

In exchange for capital, investors receive shares or equity in the business. If the business succeeds, the value of those shares rises, and vice versa.

Enable Funding is solving two main problems:

1. First, it reduces capital raising obstacles of private companies. A long-standing challenge in Australia is the lack of capital raising options for Early-Stage Companies because of Australia's small venture capital and angel investing sectors.
2. The second problem is investor access to unlisted companies. This form of investing has been the preserve of professional investors and high net worth individuals with contacts in this area. Through equity crowdfunding, anyone can now invest in this sector of the market.

If you would like to obtain additional information relating to either raising capital as a Crowd-Sourced Funding or Early Stage Innovation Company, please do not hesitate to contact us.

If you would like further information on the opportunities to invest in these types of companies, please contact us.

Give The Reason Why**

"How can I sell more product?" Is the marketer's eternal question.

To open minds and wallets and have prospects eagerly buy, the most persuasive words in advertising are simply, "Reason Why".

Whether you spread your message on TV, the internet or by letter, you must explain the "Reason Why" your product is much better.

Give good reasons for these three questions – why you? why true? why now?

If you want to sell like a superstar, just boldly state your reasons: First, the reason yours is best. Second, a reason to believe and third, a reason to act right now. Give these and you will receive more sales than you can imagine, gold and riches on high.

The world showers you with treasure when you give the "reason why".

Let me give you an example.

Soft drinks are one of the most difficult industries to break into with a new product. The number of times it's been done over history is very, very seldom because people are loyal to whatever soft drink they like.

Not long ago, Slice soft drink came out with a campaign that said it's a better tasting soft drink "because it contains 10% fruit juice".

It gave a little reason in the headline – "10% fruit juice" – to explain why it tastes better than the average fruit soda. And that made all the difference in the world. In a product category that's renowned for a sky-high failure rate among new products, Slice quickly captured 7% of a \$30 billion a year soft drink market.

Today, that same soft drink market is probably worth more than \$50 billion per year. That means that right out-of-the-box, Slice created \$2 billion a year in sales on the strength of this one little proof element, "10% fruit juice".

See how critical that line is to its success; try taking it away, what do you have? "Slice, a better tasting soft drink". Nothing there but a bland claim.

Take a hard look at your most critical marketing material, especially any that are underperforming. Ask if you are giving reasons why in each of these 3 areas:

1. Compelling reason(s) why your product is superior to other solutions your prospects might choose, including doing nothing.
2. Compelling reason(s) to believe that what you say is true.
3. Compelling reason(s) to seize the opportunity today.

When you examine the most successful examples of salesmanship in print, you'll almost always find these three reasons – "why", in full force, which is why they are so profitable.

** Trevor Marchant, Marchant Dallas

Information To Guide You – Part 1

A key question for business operators is to decide what information sources you should be using to guide you in formulating business decisions. In 2017, there is far more information available – a significant amount of which is available for free on the internet – than what was available 10 years ago.

The type of information you require will depend on the current stage of your business development.

- You may be requiring information and advice relative to starting a business, expanding your business or changing the product or location. As your accountants we are happy to have discussions with you relative to these issues.
- For businesses that are operational, there are many questions that you will ask relative to:
 - Your product mix.
 - Changing products.

- Promotional campaigns.
- Should I be discounting products or not?
- What effect is the state of the economy going to have on my business?
- Will an upcoming government election influence how my customers purchase from my business?

As accountants, we are happy to have discussions with you on some of these issues. Some of the items you require input on will undoubtedly require advice from your marketing and sales consultants.

What this highlights is that, as a business operator, you will benefit from having a “team of advisers” to give you input relative to their individual specialities as they relate to your business conditions.

- When we produce for you, or you produce for yourself, a set of financial accounts comprising Profit and Loss Account and Balance Sheet, this is not the end of the financial exercise, but it should be seen as the beginning! At this time, we recommend that you evaluate the comparison of your key performance indicators from the most recent to earlier periods and to your Budgets and that you always analyse variations. It’s also a good idea to conduct a benchmarking comparison whereby your business is compared to other businesses in the same industry component as yours. This will give you valuable information that is generally not available.

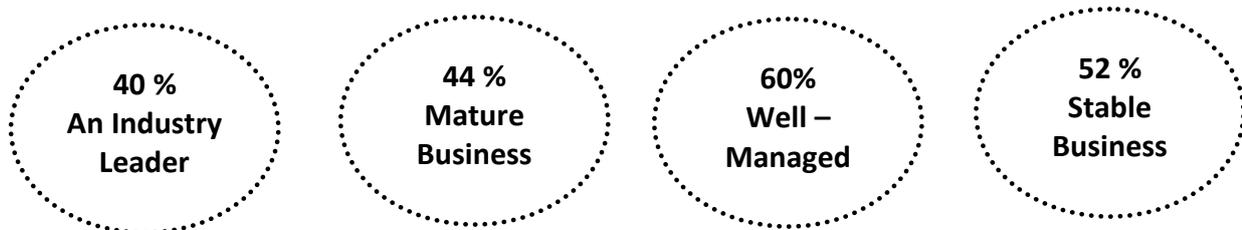
If you would like some assistance from us in undertaking a key performance indicator or benchmarking comparisons, please do not hesitate to contact us.

What Faster – Growing Mid – Size Businesses Do Differently

Faster - Growers Are

- A. Ambitious in their pursuit of growth
- B. Entrepreneurial and innovative
- C. Dynamic, agile & flexible
- D. Increasingly export oriented

Faster- Growers Identify As



What faster-Growers Do Differently

Many faster – growing mid – size businesses are powered by self-created engines pioneered and developed through bold growth strategies including:

1) New Products & Services

They are closer to their customers and actively invest and manage their product development strategy, pipeline and process.

2) New Markets

Think differently about new markets. In an increasingly digital world, companies can make a leap from local to global much earlier and easier.

3) New Technology

They invest in new technology in a timely way and see staying abreast of technology as a competitive edge.

4) New acquisitions

Leverage the benefits of acquisitions i.e. new resources (cash flow and/or skills), business synergies, risk diversification, economies of scale or direct access to new markets.

Ready For Growth Businesses

An analysis of businesses across a range of industries found that: -

- 1) Companies that focus on three elements – strategic clarity and coherence, resource alignment, and supportive organisation – generate higher shareholder returns.
- 2) High – performing companies tightly link their growth and cost agendas. They clearly understand which capabilities are truly critical for winning with their strategy, and they funnel the bulk of their resources to those differentiating capabilities.
- 3) Very few companies are ready to grow. Although the three dimensions to focus on may seem clear and the positive impact is obvious, less than one fifth of companies (17 percent) seem well prepared to grow. Very few companies – only 6 percent of those included in this particular study perform well along all three dimensions.

What A “Ready For Growth” Company Looks Like

Every company is different; however characteristics that are common to many of the companies in the “ready for growth” category are:

- **Strategic clarity and coherence – “ready for growth” companies**
 - Have specific and actionable strategic priorities that are widely understood at all levels of the company
 - Make clear choices, striving for best in class status only in the few distinctive capabilities that create sustainable competitive advantage, and accept “good enough” in all other areas
 - Are able to keep their strategies relevant by sensing and rapidly adapting to market changes
 - Are quicker to innovate and willing to make calculated big bets
 - Feel no qualms about killing investments that aren’t paying off
- **Resource alignment – “ready for growth” companies**
 - Employ a disciplined process that ensures adequate funding for high – growth, core activities
 - Have a clear and objective investment criteria that prevent department rivalries from interfering with allocation of funds to top corporate priorities.
 - Manage spending strategically, making rigorous trade-offs based on cost transparency and a deep understanding of how they make money.
- **Supportive organisation – “ready for growth” companies**
 - Are organisationally efficient, flexible and lean
 - Align their power structures and allocate decision rights in ways that best serve strategic priorities and business realities
 - Create nimble mechanisms for governance and collaboration across business units.
 - Have talent management practices that support key capabilities by moving the best people into pivotal roles
 - Have a coherent culture that sets norms and expectations that reflect the requirements for success in the market place

- Have an ethos of excellence and continuous improvement that is reinforced by meritocratic systems

A Case In Point

Tom Potter was the founder of Eagle Boys Pizza. Many people probably don't know the story of a young 22 year old that started Eagle Boys with \$12,000 and grew it to open over 280 stores in Australia and New Zealand, prior to selling to both management and private equity in 2007.

Tom now sits on a number of boards and spends his time advising a select group of companies on growth.

One of his key messages was being very clear on your target market, on what differentiates your business and not competing on price but on value. In many cases it is made difficult for your competition to emulate. So too many businesses are trying to be all things to all people and end up in a commodity market.

Please contact Lyall Bear at CBSW to discuss any business improvement & growth assistance matters & our Business Improvement Program too.

Mediation For Family Business

Introduction

Family and business systems are fundamentally different. Put them together and everything from planning and problem solving to decision making and conflict resolution become more complicated. Mediation, using an independent expert to manage family negotiations, can help.

Plans and Conflicts

Planning, and managing conflicts, are hard work. It's difficult enough to find the time and energy to run a business and a family from day to day, so who needs more? Answer: you do, if you want to have a viable business and a viable family.

Ordinary businesses can be viewed dispassionately. Their plans are formulated in terms of turnover and profits, costs and cash flows, customers and competitors, markets, production, staff, product and service lines and the like. In contrast family businesses are sensitised and complicated by emotion. Often the desire to avoid family conflict defers planning and decision making until it's too late – allowing the competitors to attack the business and the family when they are the most vulnerable.

And there's the fact that getting stuck into family members and/or issues can be disastrous for the "intervener", who may get badly burnt – and not always from the most obvious quarters.

A Place For Mediation

Here's where you can use a skilled mediator who understands family business. Mediators are process experts who work with individuals and groups to help them explore issues, generate sensible options and commit to agreed solutions. A well-managed mediation process can save and strengthen underlying relationships.

Mediators create environments that facilitate communication; increase everybody's understanding and appreciation of where others are coming from and provide a forum to work through respective needs and interests. They remove barriers to trust that prevent family members from talking, problem solving, deciding, planning, agreeing and committing.

Mediators are independent and have no stake in the final plans, or in dispute outcomes. It's not part of their role to evaluate or judge and the agreements they help to produce don't need to be measured against any external criteria – they just need to be acceptable to the parties, clear and workable.

Mediation Process Stage 1 – Exploration (issues and facts)

The mediator establishes rapport and guides the parties through a systematic identification of issues to produce an "Issues Agenda". The idea is that if every issue on the resulting list is resolved to everybody's satisfaction, their problem will be solved. After identification we explore the issues by gathering all available information, recognising that both facts and perceptions are important. The mediator ensures that everybody is as well informed and engaged as possible before any effort is made to develop solutions.

Careful management of process and people allows sensitive family, business and other issues to be handled with minimal conflict and embarrassment. Potentially explosive emotional energies are recognised and handled constructively, rather than being suppressed and left to fester, probably causing serious damage later.

Mediation Process Stage 2 – Assessment

Once the issues have been identified and all relevant facts and opinions obtained, the mediator facilitates the process of working out the implications. Again, perceptions are treated like facts, at least until there's a good reason to do otherwise.

Mediation Process Stage 3 – Option Generation

When the issues have been identified and assessed, the mediator proceeds to stage 3 – a creative brainstorming process designed to generate options that could produce solutions. Getting everybody to participate helps create a sense of sharing and ownership in both the process and its outcomes.

Mediation Process Stage 4 - Solutions

Finally, the mediator helps everybody to visualise how the options will look, work, feel and satisfy everybody's interests in real life. At the end of this reality check it's usually quite easy to get everybody's agreement and commitment to the preferred solution.

Conclusion

Mediation was introduced to Australia as a fast, low cost, constructive alternative to litigation. It quickly proved its worth and is now in widespread use. The processes and skills used to resolve difficult conflicts in commercial and relationship environments can be used to good effect, for all manner of issues, within family businesses. If you want to develop great plans and avoid future conflict in your business and your family, consider mediation as the caring, thinking persons preferred approach.

Lyll Bear is an accredited Family Business Advisor at CBSW and can assist with Family Business matters and concerns

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Providing you
professional
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