

# Business Plus+



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## Issue Number 9 - April 2010

### Third Quarter 2009/10 Review

The third quarter of the 2009/10 fiscal year is over (didn't it go fast!). It is a good time to take some quality time out and analyse your business' performance and plan any changes you want to make.

#### Market Conditions

How did you find the market conditions? Were the conditions what you expected or were there changes? Did you talk to customers and get their thoughts on the products and/or services that your business is offering? Have you monitored your competitors' performance? Are there any lessons to be learnt from your competitors' activities?

#### How Did Your Business Perform?

Did you achieve the targets that you set? What were the results of marketing/advertising campaigns? How did staff productivity compare to expectations? What lessons were learnt from the last 3 months' activities?

#### Financial Reports

Has your business prepared departmentalised financial accounts? Are financial accounts distributed to team leaders and other members of the team? Could your business' profit and loss accounts be sectionalised into departments or teams so as to make financial accounts more relative to individual sections or teams? Have key performance indicators been prepared for all sections or teams? How did the KPIs compare to budget expectations? Have you reviewed the balance sheet, especially supplementary information such as debtors' days outstanding, stock turn achieved, investment in stock, bank exposure (overdraft loans and other financial commitments, leases and hire purchase agreements etc.) as compared to budget expectations?

#### Industrial Relations Rules

Have you reviewed the new industrial relations rules that are now in operation? Have you conducted an audit on the implementation of the procedures in your business that comply with the new industrial relations' rules? Have you incorporated the implications of modern awards and national employment standards (NES) into your industrial relations' system? Have you implemented a Fair Dismissal Code within your business? If you would like a copy of a Fair Dismissal Code Checklist, please contact us.



#### Review of Performance

Have you sat back and reviewed the performance for the January-March quarter? Are you happy with your business' overall performance? Have you celebrated successes? What changes need to be made to your business operations? Have you systemised (developed systems for) what worked well so that you do not have to "reinvent the wheel" next time? Please contact us if you would like to have a discussion on your business' performance to 31 March 2010

## Action Prior to 30 June 2010

### Tax Planning

- Have you reviewed proposed superannuation contributions taking into account the government's 2009/10 superannuation contribution rules? For persons under 50 maximum contribution of \$25,000 per annum from employer contributions and salary sacrifice. Over 50 years of age, \$50,000 per annum contribution. A penalty tax rate of 46.5% will be applied to any excess superannuation contributions.
- Have you reviewed research and development activities to maximise the company's (claimant must be a company) claim for accelerated income tax deductions for research and development including the preparation of individual research and development plans?
- Have systems been implemented for scrapping obsolete stock and old unused plant and equipment?

Now is the time, prior to 30 June, to implement effective tax planning strategies for your business.

### Cashflow Management

- Have you factored in the strong likelihood of increasing bank interest rates over the remainder of 2010 into your cashflow projections? Have you reviewed your business' debtor's payment terms? Could improvements be expected if changes in the processing of tax invoices, prompt preparation and despatch of debtors' statements etc. were implemented?
- Have you reviewed stock turn on an individual product basis, to highlight stocks achieving a lower stock turn rate than what has been budgeted e.g. stock turn rate of 6 indicates that that stock item is turning over approximately once every 2 months?

### Planning for 2010/11

In the months of April, May and June it is a great time to undertake planning for what you hope to achieve in your business during the following financial year. Items that could be considered include:

- Input from team members on operational issues
- Are regular team meetings held?
- Identification of teams or sections within the business, preferably in groups of approximately 7 persons, so as to enhance business performance.
- What new products are you considering?
- Have individual market development strategies been determined for each new product or service?
- What innovations are being undertaken during the next 12 months? (remembering successful businesses continually re-invent themselves).
- What innovation strategies are you contemplating in 2010/11?

All this information could then be incorporated in budgets and cashflow forecasts for the 2010/11 year

We are happy to assist in planning a successful business operations in 2010/11.

## Self Rating for Business Start-Up

To be successful in small/medium sized businesses you have to be honest with yourself and understand your strengths and weaknesses. This includes analysing your personal characteristics and evaluating your general skills. Questions to be answered include:

- How do you get on with other people?
- Can you handle failure?
- Can you set clear goals?
- Have you got drive and energy?
- Have you got self confidence?
- Are you prepared to continue to learn?

These and many other questions are very important in determining whether you have the characteristics to be successful in small/medium sized business. If you are contemplating going into business please contact us for a discussion in planning for business success.

**REMINDER: Research & Development Registration for year ended 30 June 2009 needs to be made with AusIndustry prior to 30 April 2010.**

## Business Plans - Questions To Consider

### Business Operation

Some of the questions that need to be answered relative to the business operations include

- Activity Review
- Resources
- Quotes
- Order Handling
- Production
- Quality Control
- Costings
- Sales
- Wastage
- Staff Skills
- Scheduling of Work
- Crisis Management

What operational areas require improvement?

What additional resources do you need?

To be continued.....

## Word Of Mouth Marketing

### – How To Attract It To Your Business

Word Of Mouth (WOM) marketing is a marketing technique that many business people know about but are unsure how to utilise. WOM marketing involves one of your existing clients giving your business a referral; this entices them to spend money at your business. It's valuable to your business because it's cheap (or free in some cases!) and because your customers have already established a trusting relationship, they are confident to "sell" your product to their friends. This means the potential consumer can focus on the product/service information without the normal apprehension they would feel when talking to one of your sales people.



This is "poetry in motion" for a business owner! Not only are they coming to you first, they are already confident in your business and therefore are more likely to buy.

Because WOM relies heavily on referrals, the question remains: *How do I generate more referrals?*

Here are some great ways to get referrals:

- Ensure you give outstanding customer and quality service. People expect good service, make yours outstanding!
- Make sure you acknowledge every referral you get. Send your client a thank-you card or movie tickets. Give them a discount. This will encourage more referrals and the customer will feel great!
- Create a referral system and promote it to your clients. Make sure your staff are briefed and know how it works.
- Take time to employ the right staff for your business. Treat them fairly and train them properly. A staff member who leaves in dodgy circumstances can generate a lot of negative feedback.
- Handle customer complaints promptly and empathetically. Sometimes you might have to waiver a policy or go out of your way. **BE WARNED:** Always use common sense and remember your financial situation. The customer is always right; unless they are wrong. In which case they may not be worth the trouble.

Above all, when it comes to creating a referral system, be different and don't be afraid to get creative.

**REMINDER: Fringe Benefits Tax Returns for year ended 31 March 2010 need to be lodged (if they are being prepared by our firm) by 28 May 2010.**

**"Working on your business, rather than in your business will become the central theme of your daily activity, the prime catalyst for everything you do from this moment forward."**

*The E-Myth Revisited, Micheal E. Gerber"*

## What's It Mean?



**Pre-Requisites for Valuation** of a start-up technology company include:

- the financial forecast must be rigorous and achievable;
- an "exit date" needs to be established - this should be the expected date when something might happen e.g. a sale to a venture capitalist, an Initial Public Offer (IPO) or a sale to a major corporation (strategic buyer); and
- a realistic Price Earning (P/E) Ratio must be selected and used. This would be after adjusting for limited equity of the start-up technology company and the lack of earnings history. A risk multiplier would also be factored into the valuation calculation. This would be based on the stage of development of the start-up company.

## Commercialisation Australia

### - Experienced Executives Grant

The Australian Government's Commercialisation Australia - Experienced Executive program offers significant assistance to a small medium enterprise which has the ownership, access to, or beneficial use, of any intellectual property necessary to carry out and/or commercialise the product, process or service, for the employment of experienced executives.

A successful applicant must have a turnover of under \$10M for each of the last 3 years. Applicants need to be companies. The maximum grant available is \$200,000 over a two year period on a 50% grant basis. The grant is to be utilised for the employment of a Chief Executive Officer and/or other commercialisation focused executives to supplement the commercialisation skills within the management team of the applicant company. Applicants have to satisfy five merit criterion:

**Need for Funding** - the applicant has to clarify why they need government assistance.

**Commercial Plan and Potential** - the product, service or process should have a competitive advantage.

**Market Opportunity** - applicant should have a clear understanding of the gap in the market place for the product, service or process and understand how the product will be distributed.

**Management Capabilities** - the management team, especially after the recruitment of the executive(s) being hired with assistance under this program, should appear to have the skills necessary to successfully commercialise the company's product, services or process.

**National Benefits** - the applicant needs to be able to articulate the national benefits which will accrue to Australia resulting from government support for the company to be able to employ an experienced executive(s).

If you would like our assistance in completing the Commercialisation Australia Pre-Application Form, please do not hesitate to contact us.

### An Important Message

*While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.*



Contact our office on 9364 9988 or in person at 70B Kishorn Road, Mt Pleasant for further information.