

# BusinessPlus+ Newsletter



## INDEX

Differentiated Strategy - Helps Create Value!.....	1
Where Do You Start In Developing A Strategy?.....	1
Developing Strategies For Customers.....	1
Understanding Prospects.....	1
Products/Services.....	2
Team .....	2
Premises.....	2
Research & Development .....	2
Intellectual Property.....	2
Plant, Equipment, Computers, Technology Enhancements	2
Competitors.....	3
Developing Your Vision .....	3
Funding Your Business .....	3
Preparing Your Business' Differentiated Strategies .....	3
Marketing The Strategies .....	4
Superannuation Change for High Income Earners .....	4

## Issue – October 2019

### **Differentiated Strategy - Helps Create Value!**

Creating a truly differentiated strategy is considered to be one of the four key factors in creating a successful life-cycle for a business. (Verne Harnish – Scaling up)

The key factors in the development of a business strategy are:

- Does what you are planning to do really matter to enough customers?
- Does the strategy that you are developing differentiate your business from your competitors?

Whilst there are a lot of other factors in operating a business, there are two key items to consider:

1. Are you satisfying your customers' requirements?
2. Is your business different from your competitors?

### **Where Do You Start In Developing A Strategy?**

You need to allocate some "quality time" to get started on the development of a strategy for your business. You will need to allocate two hour segments, with no appointments and no telephone calls, so you can concentrate on the key issues confronting your business.

Many businesses successfully undertake this task by having the entire leadership team participate in the "think tank" process to identify the key strategies that will assist in differentiating your business in the marketplace with both your competitors and your competitors.

### **Developing Strategies For Customers**

Have you obtained any feedback from customers in relation to the types of services that they are looking for?

Why are they a customer of your business?

What do they like about your business, as compared to your competitors?

Which products or services do they specifically like?

Is your business meeting the customers' requirements?

Do you communicate with your customers/clients on a regular basis via newsletters, webinars, videos and personal contact with some of them?

Is your website conducive to proper discussion with your clients relative to a product or service that you are producing?

Has your business established a "Customer Advisory Committee"?

From your discussions with your customers/clients have you been able to identify what your customers/clients think about your business relative to:

- your business' strengths?
- your business' weaknesses?
- the trends that your business is pursuing?

### **Understanding Prospects**

Have you identified who your key prospects are?

Are you communicating regularly with these prospects?

Have you developed a profile of who your key prospects (Avatars) are?

Have you developed specific strategies to communicate with these prospects?

## Products/Services

Are you satisfied that the products/services that your business is currently producing will be suitable for the next 3 years?

What changes need to be made to your products/services to ensure that your current customers will continue to support your business?

Do you think you'll have to make changes to your products/services to attract business from your prospects?

If so, what changes will have to be made?

Have these proposed changes been discussed with your production team or the business that produces your products?

If you're a service-based organisation, have you considered the services that your business is providing – will these services meet the market requirements over the next 3 years or do you need to make changes to the methodology that you're using for the supply of services?

## Team

Has your business developed a strategy for your team?

The team includes everyone from the most junior team member to the senior members of the leadership team.

One of the other key components of the life-cycle of a business is attracting and keeping the right people. Does your business have a recruitment policy to ensure that your business is attempting to recruit the best possible candidates for your business?

Does your business have an induction strategy to ensure that your new team member is appropriately introduced to the other team members and is given an appropriate overview of how the business operates and an introduction to the Workplace Health and Safety issues relative to your business?

Are there appropriate team training strategies in place to cover team members from the newest member to the leadership team?

Is there a leadership team development strategy in place to encourage junior team members to aspire to be able to perform senior management positions within the business?

Is there a succession plan strategy in place, not only for members of the senior leadership team, but for all team members to encourage the development of knowledge and skills within the total team?

Is your business' strategy to develop further sales over the next 3 years that will require additional leadership team members that preferably will be sourced from the current team?

This could then lead to the development of a "leadership team in training".

## Premises

Are your business premises suitable for the type of business that you envisage operating over the next 3 years and beyond?

If you're going to remain in the same position, what premises' enhancement strategies need to be considered?

If you are planning to expand beyond your present premises capacity, who is responsible for the identification of a site for your new premises and what is the timetable for the planning deliberations?

## Research & Development

One of the key requirements for a business that is wanting to grow and expand is the implementation of a research and development policy so that new products/services can be identified that your customers and prospects will be happy to purchase.

Does your business have a research and development policy?

If your business is a company, has the research and development policy been prepared on the basis that the company will be able to claim a Research and Development Rebate in the company's taxation return?

Does the research and development policy include procedures for ensuring that your business' research and development results are protected through the use of:

- Confidentiality Agreements
- Assignment of Intellectual Property Agreements
- Regular discussions with a patent attorney to determine whether any patent application should be lodged?

## Intellectual Property

Has your business documented the intellectual property that is being used on a day by day basis?

Are these intellectual property documents filed in a secure location?

Or, is the "intellectual property" stored 'in the head' of the founder/manager of the business and has never been committed to writing?

This is a very dangerous position for a business if something happens to that founder or manager, who is carrying all of the intellectual property knowledge in his/her head.

In the development of your business' strategy, the documentation of an intellectual property strategy is an important part of the overall creation of value strategy.

## Plant, Equipment, Computers, Technology Enhancements

Has a review been undertaken to determine what new items of plant and equipment etc., need to be considered over the next 3 years.

Has a feasibility study been prepared relative to the acquisition of each item?

Has the business determined an internal target of “return on investment” to be considered for each acquisition?

## Competitors

The development of a strategy for any type of business is not complete unless there has been an analysis of competitors.

Who are your competitors?

What differentiates your competitors from your business?

What do they do differently?

What does your business do better?

In what areas are you better than them?

Can you prepare a summary of the:

- Strengths of your competitors?
- Weaknesses of your competitors?
- Trends that you think your competitors are implementing?

From this analysis, have you identified any items that your business could consider copying? (There is no law against copying, as long as the item you are proposing to copy is not covered by a patent or a licensing agreement that your business has signed).

## Developing Your Vision

What do you want this business to look like in 3 years' time or longer timeframe, if you wish?

Turnover? – Preferably dissected into key income categories for the various product/services that your business sells.

What gross profit and gross profit percentage would you target for each of the income categories over the next 3 years?

What is the targeted profit for the overall business?

How many team members do you envisage having in each year?

Where will your business operations be located during this three-year period?

Has your business developed a “Big Hairy Audacious Idea”? – Has a plan been written for how the “Big Hairy Audacious Idea” might be implemented? (BHAG is a registered trademark of Jim Collins and Jerry Porras) (The 10 to 25 year goal that provides constant context for all of the decisions made throughout the business).

How are you going to fund your business?

## Funding Your Business

As businesses grow they normally require more money – in fact another of the key components of the life-cycle of a business is “having plenty of cash to weather the storms”.

As part of the planning of your business' strategies, it is very desirable that consideration is given to how you are going to fund the growth in your business.

This will require the development of Budgets and Cashflow Forecasts for each of the next 3 years, taking into account all aspects of the business that we have discussed earlier in this overview.

As businesses grow there is, in most instances, the requirement to fund more of the working capital components of a business – inventory, debtors, and work in progress. In some businesses you'll obtain an offset for the increase in amounts owing to creditors, but unfortunately, in most businesses, debtors' days outstanding tends to be higher than creditors' days outstanding because of the terms of trade that creditors impose.

There can also be some other significant cash outlays required as a business grows relative to:

- research and development expenditure
- capital expenditure on plant and equipment etc
- planning the funding of the business therefore requires consideration as to:
  - How much can be funded from internal cash generation within the business?
  - How much can the owners or current shareholders contribute to fund the growth?
  - What funding can be obtained from the business' bank on reasonable terms?
  - If the business is a company, should consideration be given to trying to raise capital from the public?
    - \* Section 708 of the Corporations Act capital raising (up to \$2 million from a maximum of 20 investors over a 12 month period subject to the number of shareholders not exceeding 50)
    - \* Crowd Sourced Funding Equity Raising under the Corporations Act (up to \$5 million can be raised in 12 months, if the company meets the eligibility requirements to be a Crowd Sourced Funding Equity Raising Company)

## Preparing Your Business' Differentiated Strategies

Following this type of review you are then in a position to prepare the strategies for your business going forward over the next 3 years.

Why not prepare a “Comparison Analysis” that identifies:

- the good points that you have identified from your business' current operations.
- the key preferences that you have determined from discussions with your customers.
- the key points of differentiation with your competitors that you are comfortable about considering for your business.

You could then develop your business' individual strategy that incorporates the best aspects of:

- your current policies
- what your customers have identified
- what you have gleaned from an analysis of your competitors

This document should contain your winning strategies for your business.

## Marketing The Strategies

There is more to be done than just preparing a strategic document.

You have now created a truly differentiated strategy, but it now needs to be implemented!

The development of a marketing strategy relative to your new differentiated strategy is very important.

This will involve communication with:

- Your team to make sure they clearly understand the strategies that have been adopted and what their role is to implement those strategies.
- Your customers to brief them on what you are planning to do in your relationships with them from now on.
- Your business' website and ongoing communication via newsletters, webinars, videos social media and public presentations should all reflect the differentiated strategies that apply to your business.

If you would like to have a discussion with us relative to the preparation of a differentiated strategy for your business, please do not hesitate to contact the person with whom you normally communicate within our firm.

## Superannuation Change for High Income Earners

From 1 January 2020, high income earners with multiple employers can opt out of receiving any additional superannuation guarantee contributions from additional employers (which could include their own business) beyond the main employer.

This change will be of benefit to some people who have more than one employer and expect their employer's mandated concessional superannuation contributions to exceed the employee's concessional contributions cap for a financial year.

The employee needs to submit a "SG Opt out for High Income Earners with Multiple Employers" form to apply for a "Superannuation Guarantee Employers Shortfall Exemption Certificate."

The certificate releases one or more of the employers from their superannuation guarantee obligations for up

to 4 quarters in one financial year.

The employee still needs to receive superannuation guarantee contributions from, at least, one of their employers for each of those quarters.

The exemption certificate means the employer will not be liable for the super guarantee charge, if they don't make superannuation guarantee contributions on behalf of the employee for the quarters covered by the certificate.

It is important to talk to your employer before applying, as the employer can choose to disregard an exemption certificate and continue to make superannuation guarantee contributions.

An application for a "Superannuation Guarantee Employer Shortfall Exemption Certificate" must be made by the employee to be covered by the certificate – an employer cannot apply for an exemption certificate.

The application must be lodged, in the approved form, at least 60 days before the first day of the first quarter to which the application relates. This means that, for the quarter beginning on 1 January 2020, the application must be lodged on or before 18 November 2019.

An exemption certificate can be for a period of up to 4 quarters in one financial year. A separate application is required for each financial year.

This change will mean that a person in this position will be able to organise that their personal business no longer pays superannuation guarantee payments if the total amount of superannuation being contributed is already over \$25,000 annually.

This change will assist with cashflow in the employee's personal business and will reduce additional taxes payable on their personal superannuation accounts from Division 293 notices because their superannuation contributions will be reduced.

If you would like to discuss the benefit of the preparation of a "SG Opt out for High Income Earners with Multiple Employers" form to obtain a "Superannuation Guarantee Employer's Shortfall Exemption Certificate" to apply from 1 January 2020, please contact us prior to 18 November 2019.

### 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.*

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