

# BusinessPlus+ Newsletter



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## Issue – November 2018

### "Scaling Up" - Crowd Sourced Funding Could Help!

Doesn't it really "frost your cookies" that medium-sized businesses always seem to get left out of the most important decisions?

Well, as it turns out, the medium-sized business sector has finally scored a big win!

Many medium-sized companies will be perfect candidates for the concept that is going to revolutionise capital raising for Australian business and it's already underway.

This is not a gimmick!

Last month we discussed the effect that Crowd Sourced Funding Equity Raising will have on small companies – this concept also applies to medium sized companies – companies with turnovers \$2 million to \$25 million are ideally placed to utilise Crowd Sourced Funding Equity Raising to raise capital.

"Scaling up" to the next level or even 2 or 3 higher levels requires:

- People – management needs to identify core values and then engage people who can implement those values for the benefit of every person within the business.
- A strategy – the company needs to identify what the plan is and document how this will be achieved:
  - Will this strategy appeal to your present and future customers?
  - Will your business be able to differentiate itself from competitors?
- Driving execution – companies committed to "scaling up" need to implement policies which will:
  - identify priorities
  - identify meeting schedules – daily, weekly, monthly
  - keep everyone in the loop
- Managing cash - it is very important for a company that is "scaling up":
  - to ensure that the company doesn't run out of cash
  - cashflow management is vital for company's "scaling up"
  - directors and management need to be very aware that "growth sucks cash" – inventory, debtors, capital expenditure, training, research and development, protecting intellectual property, people, premises – all cost money.

The other key requirements for medium sized companies to raise capital as Crowd Sourced Funding Companies are:

- group gross assets valued at less than \$25 million
- the company and no associated company is listed on a stock exchange anywhere in the world
- neither the company nor any associate is registered on a financial market outside of Australia

Implementing capital raising as a Crowd Sourced Funding Company could prove to be an "apprenticeship" for a subsequent Initial Public Offer (IPO) for a listing on a stock exchange if that is what the company directors are interested in doing.

The experience of participating in the Crowd Sourced Funding Capital Raising process, working with a Crowd Sourced Funding Intermediary, accepting that a group of external shareholders own a percentage of your company, gaining from the experience of having some external directors on your board of directors, potentially dealing with auditors, is all

valuable corporate governance experience if your company ever decides to proceed with an IPO or just wants to double the company's turnover over the next 3 to 4 years.

If you would like to discuss your vision for your company, please don't hesitate to contact a partner in our firm for a discussion.

## **Export Market Development Grant Application**

Applications for the Export Market Development Grant in respect of the year ended 30th June 2018 must be lodged with Austrade by **30th November 2018**.

If you would like our assistance with the preparation of your business' Export Market Development Grant Application Form, please do not hesitate to contact us.

## **Cost Control An Ongoing Task**

Cost control strategies should be part of an ongoing activity, not just considered once a year. A good idea is to create a checklist of the key costs being incurred in the business with an analysis being performed on the cost and reviewed on an ongoing basis to see whether value for money is being obtained.

In some instances, it may be found that it is necessary to increase the amount of money that a business is spending under a particular cost heading, so as to get a significant improvement in value for money. If this helps the overall performance of the business and bottom-line profitability, then that additional expenditure is money well spent.

However, in most cases the ongoing costing review will be centred on an analysis as to whether the incurred cost is still justified and whether the business is receiving the best possible deal from the suppliers of the product or service

When undertaking a review, it's a good idea to ask a question "*Why are we incurring this expense?*"

Is it necessary that the business incur this expense so as to continue to service your customers at the highest possible standard? Or is it an expense that is frivolous and a luxury in today's market that your business could do without?

Is the product or service being acquired of superior quality to that required to meet your customers' requirements? Are you buying a "brand name" when that is not necessary?

Many small and medium sized businesses have established a cost control review committee which meets throughout the year to consider the various costs that have been incurred by the business and, after some investigation, to determine whether that cost should still be incurred or whether changes can be made to the type of product or service that is being acquired, so as to reduce the overall cost impost to the business.

A dollar saved in purchasing of products or services goes directly to bottom-line profitability of your business.

If you would like to discuss a strategy of how savings can be effected within your business, please do not hesitate to contact the accountant in our organisation with whom you normally deal.

## **Single Touch Payroll - Small Business Next**

Single Touch Payroll (STP) is an Australian government initiative that changes the way businesses report on salary or wages, Pay-As-You-Go (PAYG) withholding and superannuation. Under STP, this payroll information will be sent electronically from the business' payroll system directly to the Australian Taxation Office (ATO) at the same time as the employer pays their employees.

Employers with 20 or more employees have been required to utilise the Single Touch Payroll system from 1st July 2018.

Small business employers:

- Legislation to extend the Single Touch Payroll to include employers with 19 or less employees is currently before Parliament.
- Businesses with less than 19 employees can elect now to utilise Single Touch Payroll system if you wish. To find out more about this, we suggest that you talk to your software provider to find out what you need to do to update your software and start reporting.
- The ATO has stated that it will not force employers, with 19 or less employees, to purchase payroll software, if they don't currently use payroll software. The ATO has indicated that different STP reporting options will be available by 1st July 2019 to help smaller employers.

Micro employers (1 – 4 employees)

- The ATO has requested that software developers build low-cost STP solutions at or below \$10 per month for micro employers – including simple payroll software, mobile phone apps and portals.
- The ATO has indicated that they have received over 20 expressions of interest from software developers and will publish a register of the successful expressions of interest that they have received by 30th November 2018.

- The ATO has indicated that micro employers will also have a number of alternative options that are not available to employers with 20 or more employees – such as initially allowing the micro business' registered tax agent or BAS agent to report quarterly, rather than each time the business prepares a payroll.
- The ATO has also indicated that exemptions to STP reporting will also be available, if you have no internet or an unreliable internet connection.

In summary:

- The STP will streamline reporting to the ATO and will make it easier for employers to meet their obligations as an integral part of payroll processing.
- Employers, who report through STP, will no longer need to provide employees with an end of year payment summary.
- STP will allow the ATO to better assist employers who are having difficulties meeting their PAYG withholding and superannuation obligations.
- Using their myGov account, employees will be able to interact securely with the ATO to view the year-to-date salary or wage amounts, PAYG withholding and superannuation entitlements.
- Salary or wage information and PAYG withholding amounts reported through STP will be prefilled to the employer's Business Activity Statement (BAS).
- If you are currently utilising a computerised payroll system, we suggest that you have a discussion with your software provider to gain an understanding of the upgrading that will be necessary with your present system or should you obtain a new system which fully incorporates Single Touch Payroll?

This is obviously a big change which is going to affect all small businesses. If you would like to have a discussion with us relative to the development of a strategy for your business, please do not hesitate to contact the accountant in our organisation with whom you normally deal.

## Developing a Growth Plan for 2019

Last month we summarised some of the key questions to consider relative to the development of a business growth plan for 2019. This month we would like to explore some particular items for you to take into consideration in the development of your plan for 2019.

- Culture is everything  
Are you satisfied with the culture in your business?  
Does your team understand the core values of your business and the core purpose?  
Is your brand honoured by your team?
- Do you have a framework for success?  
A healthy sustainable growing business needs clarity around 6 questions:
  1. Who are we?
  2. Why do we exist?
  3. What do we stand for?
  4. What do we do?
  5. Where are we headed?
  6. How will we get there?

Does the whole team know where the business is heading?

Can you answer these questions clearly, or do you need to do more work on some of these questions?

- Is there a “sign on” to the key ideology for your business?  
Underlying drivers to make a difference – to do something of value?  
Is your group able to accomplish something collectively?
- Is your vision for 2019 to grow your business?  
If so, 4 key areas for management and the team to work on:
  1. People – establish a handful of rules and act consistently within those rules.
  2. Strategy – a real strategy must pass two tests:
    - firstly, what you're planning to do really matters to enough customers
    - secondly, your strategy differentiates you from your competitors
  3. Execution – businesses need to implement at least 3 key habits:
    - set a handful of priorities
    - gather information relating to the business daily/weekly and review it
    - establish effective daily, weekly, monthly and other periodic meetings to review performance and keep everyone in the loop

#### 4. Cash Management – key objective – don't run out of it – growth sucks cash!

If your plan calls for a major expansion of your business during 2019, you need to remember the pressure on cashflow from extra business activities, including investment in inventories, debtors, research and development, intellectual property development, new equipment and people.

Do you aspire to achieve world's best practice? Benchmarking is very important to understand how your business is performing. It's common to benchmark against other businesses in the same industry as yours, but you do not need to be a "slave" to only ever comparing with businesses in your same industry.

Some businesses, wishing to achieve significant growth and world's best practice, are going outside their industry to benchmark specific internal operations of their business, as compared to a completely different industry. Examples of specific internal operations include:

- Debtors' management
- inventory control
- corporate governance training where the difference in industry has probably got little bearing on how the specific internal operation is treated – by comparing to businesses outside your industry you might get some great ideas

What strategies are you going to implement in your plan, relative to customer feedback? Some businesses make telephone calls to customers the following day to see whether they were satisfied with the service that they received the previous day. What does your business do and, more importantly, what are you planning to do during 2019?

#### Strategy

You need to consider the following questions in developing your overall strategy for 2019:

- How is your business different?
- Do you do one thing really well?
- Do you work very hard to be "unique"?
- Don't try to be everything to everyone.
- Have you considered specialising in a product and know-how and then dominating it?
- Many successful businesses focus on a niche. Should you be identifying what you're good at and then dominating that niche market?

These are some of the questions that we believe you should be considering as you develop a strategy for your business in 2019. We will continue this article next month.

If you would like to discuss your business strategies with us, relative to the development of your plan for 2019, please contact the accountant in our organisation with whom you normally deal.

### **The Reason for Marketing is to Generate Some Interest**

Marketing is a process, not a one-off event. When you examine the marketplace, only 3% to 4% of your potential customers are ready to buy at any one moment in time. The main reason for marketing is to generate some interest by using a time-based process, such as a "drip" campaign of communicating with potential customers until they're ready to buy. This can be built around four words – "interrupt, inform, educate and offer".

How might you "interrupt" potential customers? This could be done via email or a telephone call, to advise them of your product or service followed up with information, video or webinar, which will inform the potential customer of how your products can assist them in their day-to-day business operation.

If you would like us to review your marketing campaign or refer you to a marketing consultant, please don't 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.*

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