

BusinessPlus+ Newsletter



INDEX

Ongoing Review of Succession is Important!	1
Business Planning for 2022/23.....	2
Pitfalls in Starting a Business	3
Getting Ready for a Research and Development Project.....	3
Reminders of Deadline Dates Approaching	4
Government Grants	4

Issue 214 - August 2022

Ongoing Review of Succession is Important!

The normal understanding of “succession” is a question something like this: “what would happen if something happened to our owner or CEO?”

Most small/medium enterprises cannot afford to have a standby CEO sitting in the wings. Alternative strategies need to be developed to ensure that the business has an effective “succession strategy”.

A business’ “succession strategy” is very important if the business is attempting to raise capital from investors relating to Crowd Sourced Funding Equity Raising, Early Stage Innovation Company Capital Raising, Section 708 of the *Corporations Act* Capital Raising as potential investors want to know what would happen if there was a serious mishap which meant that a key person was not available to fulfil their role.

“Succession planning” also applies to every other person involved in the business but at this stage the priority that we are looking at is the CEO or owner of the business.

Does a business have a “succession strategy”?

The key components of a succession strategy should include:

- ✚ Review of the Corporate Management Chart – are there any obvious “deficiencies” in tasks that have been allocated to the management team?
- ✚ Review of job descriptions for members of the management team – do the job descriptions adequately describe what that management person is doing? Is the person undertaking the work that has been allocated to them in their job description?
- ✚ Review of the job description of the CEO/owner – are there any obvious areas that could be delegated to other members of the management team now, not at some time in the future?
- ✚ A “Corporate Governance Think Tank Workshop” with the management team is an ideal way to familiarise all members of the management team of the process of management responsibility and to show them how a Board of Advice operates and how a Board of Directors carries out its duties and responsibilities together with a general discussion on corporate responsibilities.

It is a good idea to prepare a “skills matrix” by working through the key items that require attention on a daily, weekly, monthly and annual basis within a business, to ensure that these duties have been allocated across the management team and not just to one or two persons.

The key aspect of the “succession strategy” is to determine which team members could, on a temporary basis at least, perform some of the CEO’s ongoing role if the CEO was not available for a period of time. The outcome of this type of exercise would be that the management team members will have a greater appreciation of the way that the Board of Advice and Board of Directors work in an organisation.

Succession within the organisation will be enhanced if all members of the management team have a better appreciation of their role and, in particular, any aspect of their stated role that they have not been performing (it is amazing how often that a conversation with a team member will identify that for various reasons neither that person or anyone else is attending to duties that had originally been allocated to a particular person).



The organisation will benefit by each team member having a skills development program for the next twelve months that they will be encouraged to undertake which will be for the benefit of themselves as well as the business.

If you would like to have a discussion with us relative to the development of a “succession strategy” for your business please do not hesitate to have a conversation with the accountant in our organisation who handles your affairs.

Business Planning for 2022/23

The preparation of a Business Plan is an ideal task to be undertaken annually so that the business has the opportunity to set new targets, to identify some projects that have not been finished, to get input from the team on various aspects of the business' performance, to get feedback from customers on the types of products or services that they are seeking and how they judge you, to review the arrangements with suppliers and in particular the supply chains to ensure that you will be receiving raw materials or components of stock as you require them during the year. The new financial year is six weeks old it is not too late to prepare a Business Plan or an updated Business Plan that reflects 2022/23.

The key components to consider are:

- ✚ Where are we at present?
- ✚ What projects have not been completed?
- ✚ What do we want to achieve in the next three months?
- ✚ What are the issues likely to affect your business this year?
 - Interest rates
 - Inflation
 - Loan repayments
 - Continual problems with COVID 19/influenza?
 - Team member absenteeism because of COVID 19/influenza?
 - Will you have team members still working from home – is this working satisfactory?
 - Customer reaction to higher interest rates and higher inflation
 - What could be the result of the customer reaction – lower sales?
 - Should you try to attract additional prospects so that a percentage of them can be converted to new customers to make up for the expected lower sales?
 - Do you expect to be able to retain current team members?
 - What changes can be made to encourage team members to remain with the business?
 - Should inducements be offered to encourage current team members to remain with the business?
 - What strategies can be introduced to attract new team members to the business?
 - Does the business look “fresh enough” for retention and attraction of skilled staff?
 - Does the business have a communication strategy for communicating with customers and prospects?
 - Are you producing a regular e-newsletter?
 - Should the e-newsletter be produced more regularly?
 - Is the business receiving regular input from customers relating to your products and services?
 - Has the business established a Customer Advisory Committee? If not, do you think a “in person” or Zoom meeting of six customers would assist in getting a better understanding of the market conditions?
 - What are your competitors doing?
 - Have you an established strategy to monitor competitors and to implement measures to combat competitor tactics that might affect your business?
 - Do you have a social media policy? If so, is it functioning on a satisfactory basis?
 - Is the business location suitable for your ongoing business operations?
 - Do you think your marketing message is getting through to your customers and prospects?
 - Is your business exporting? If so, are you seeking and obtaining advice from Austrade?
 - Have you reviewed your product/service costings?
 - Is your sales methodology relevant in 2022/23? Do you need to consider changes to how you sell products/services?
 - Have you benchmarked your business to similar businesses? If so, are you going to make some changes? Or would you prefer your accountants to undertake the benchmarking analysis and report to you?



As part of the business planning process we also recommend that a 3 Way Financial Forecast is prepared incorporating:

- ✚ Budget
- ✚ Cash Flow Forecast
- ✚ Projected Balance Sheets

We are available to prepare these documents for you so that you can see the financial results of the decisions that you are making in the business planning process.

If you require any assistance or you would like to discuss the preparation of a Business Plan and the preparation of the Predictive Accounting Reports – Budget – Cash Flow Forecast – Projected Balance Sheets please contact us.

Pitfalls in Starting a Business

If you are contemplating starting a business, you will need to avoid the pitfalls by seeking advice from an accountant before signing any contracts, either to buy the business or to enter into the lease of business premises or a financing agreement.

The key items are

- obtain good advice from an accountant, solicitor and bank manager
- market analysis and verification
- a realistic Business Plan
- Predictive Accounting Reports – Budgets – Cash Flow Forecasts – Projected Balance Sheet
- honestly review your management skills
- undertake training to overcome management deficiencies
- prompt and regular monthly financial accounts
- regular monitoring of stock, work in progress and debtors
- closely monitor debtors
- staff training, motivation and leadership
- some knowledge of the trade or business
- a clear understanding of the hours you will have to work in the business
- committing to a monthly Business Review Meeting with your accountants as a key participant



You need to remember that, whilst there are many potential rewards in running your own business, owning a business can be very difficult.

Challenges, hard work, anxiety, mistakes, problems long hours and more problems are much more likely to be the story of the average small business person than a lightning path to fame and fortune!

The key challenge for all business people is how you manage the “business of the business”.

If you are contemplating commencing a small business, please do not hesitate to contact us.

Getting Ready for a Research and Development Project

Last month we summarised the processes necessary to set up for a research and development system.

A brief recap:

- ✚ Research and development tax offsets are only available for companies.
- ✚ There is different incentives available for companies with turnovers under \$20,000,000.
- ✚ Companies with a turnover less than \$20,000,000 that are trading at a loss are able to elect to receive a cash payment of up to the calculated research and development tax offset amount if that calculated amount is the same or lower than the trading loss for the company.

We now want to turn to “[getting ready for a research and development project](#)”

- ✚ **Appointment of Team**
Check that assignment of intellectual property clause included in the signed Employment Agreement.

Confidentiality Agreement is also a key document to be signed. You might have to get your Employment Agreements checked by a commercial lawyer to ensure that the company has full protection.

- ✚ **Contractors**
A Work Contract should be prepared with the contractor.

It is highly desirable that the Contract includes an assignment of the intellectual property – if not the contractor arguably owns part of the intellectual property that you are developing in the project.

Is also important to ensure that all contractors have signed Confidentiality Agreements.

- ✚ **Professionals**
An Engagement Agreement should be signed.

Depending on the negotiations if intellectual property is not being retained by the professional the intellectual property should be signed over to the company.

Depending on the negotiations if the research has been undertaken on a confidential basis the professional and the organisation that they belong to should signed the Confidentiality Agreement.



Eligible Expenditure

The company should communicate with the contractors and professionals to ensure that they understand that they are required to submit appropriate work schedules when submitting invoices and to supply whatever additional information you require so that the company has appropriate documentation relating to the research and development tasks that the contractor or professional has undertaken.

You need to ensure that you obtain all this documentation at the same time as when you make payment to the contractor/professional so that you have those records within your system. An enquiry for information relating to what experimental activities were conducted or what does a particular charge relate to might not be received from the Australian Taxation Office until three or four years after the event – that contractor might not be able to be located at that time or the professional may have moved to some other organisation potentially overseas, so the company needs to ensure that all required documentation to substantiate the research and development activities that the contractor or professional was engaged in are in the company's possession.

If you have any questions relative to the matters discussed in this article please contact the accountant in our organisation that you normally communicate with.



Reminders of Deadline Dates Approaching

- Export Market Development Grant Applications 2022/23 close **17 August 2022**.
- Reportable payments summaries for payments made in 2021/22 to nominated contractors close **28 August 2022**
- If you received an Export Market Development Grant in 2021/22 your Export Market Development Grant Report may be due for lodgement on **30 August 2022** – please check the Grant Agreement and correspondence that you should have received from Austrade.

Government Grants Update

Recently Opened Grants

Name of Grant	Closing Date
NISDRG (Intelligence Challenges) Expression of Interest for funding commencing in 2023	19.08.2022
NISDRG (National Security Challenges) Expression of Interest	19.08.2022
Regional and Local Newspaper Publishers Program	19.08.2022
Business Boost Grant – Queensland	19.08.2022

Grants Closing within the next two weeks

Grant	Federal/State	Date
New Energy Jobs Fund	Victoria	12.08.2022
New Colombo Plan Scholarship	Federal	16.08.2022
Medical Research Future Fund – 2022 Clinician Researchers: Nurses, Midwives and Allied Health Grant Opportunity	Federal	18.08.2022
First Nations Family Dispute Resolution	Federal	18.08.2022
ActiveKIT	Queensland	18.08.2022
NISDRG (Intelligence Challenges) Expression of Interest for funding commencing in 2023	Federal	19.08.2022
NISDRG (National Security Challenges) Expression of Interest	Federal	19.08.2022
Regional and Local Newspaper Publishers Program	Federal	19.08.2022

If you require our assistance on any of these items please contact us urgently.

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 us:

CMA Collins Melody

P: 03 9836 1533

E: admin@colmel.com.au

W: <http://www.cmagroup.com.au>

Ground Floor 1 Chapel Street, Blackburn, VIC, 3130