Business Matters

Strategies for managing your business

Hidden cost of conflict

Conflict is a part of life. Within the family, friendship group or in a business, conflict can be unavoidable but useful.

Conflicts are stressful, however realise that they offer a significant chance to grow and improve both as an individual and a business owner.

Conflict within a business can be with a customer, employee, supplier, or partner. Disagreements, no matter how large or small, are disrupting. The more the issue escalates, the more damaging it may become.

Although it can be difficult, do not let the issue become personal. A common mistake when managing a dispute is allowing it to become a personal attack on the other party.

As soon as this happens discussions invariably break down. In many cases the initial issue takes second place to a battle of egos.

The reason the conflict came about in the first place may be due to one or more parties not listening to each other.

Do not make this mistake during the dispute. Once either side has had the opportunity to explain their position, without interruption, often the resolution is clear.

In many cases, the other party simply wants to be heard and have their opinion validated.

Here are a few points to remember during a business related conflict:

- Every business relies on others. These may be employees, suppliers or customers. A dispute can affect how other parties see you. Sometimes a tough win can upset important business relationships.
- Financial disputes often lead to a solution being found through the courts. Even if you win a court battle, it will leave you out of pocket for lost time and productivity. Avoid going to court if possible.
- Even though the other party is upsetting you, try and listen to what they say - they may not be entirely wrong. Do not allow small issues to build up or be ignored.
- Focus on the issue, not on the other person. Do not lose sight of why the conflict arose in the first place.

Even a small conflict can result in stress and an ill feeling in the workplace.

Larger conflicts can lead to lost money, lost business and lost friends.

Try to avoid conflicts in the first place and remember to keep a level head when managing conflict. It is easy to get drawn into personal insults, but this will not help you find a resolution.

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SuperStream gathers momentum

The SuperStream initiative was introduced by the Federal Government in 2011.

SuperStream is a committee of financial experts appointed by the Government to investigate and make recommendations for improving how the super industry operates.

The main focus of SuperStream is to 'streamline' the back office or administration side of the industry.

The SuperStream reforms are intended to address existing inefficiences in back office processing within the super industry.

This includes the lack of data transmission requirements within the system. The result is poor data quality and insufficient member information preventing correct allocation and contributions for automated accounts.

The widespread use of manual payments, such as cheques, which slow down the payment, and duplicate and lost accounts are also being looked at by the committee.

Some of the proposals made so far include making it compulsory for employers to pay electronically and show super contributions on all employees' pay slips.

In order to help pay for SuperStream, the Government has created a levy for large super funds, which came into effect on 1 July.

The Australian Institute for Superannuation Trustees (AIST) said the revision of the maximum amount provided a better balance between the contributions of smaller and larger funds.

The levy is capped at $2 million for super rich funds with five or more members. This is a huge increase from 2011/12, when the maximum was set at $260,000 per large fund.

The Self Managed Super Fund (SMSF) industry, the largest super sector may have to contribute $38 million to the levy this year, which would be about $80 per fund.

Smaller APRA managed funds with four members or fewer will not have to contribute any extra under the new ruling.

Some industry experts have criticised the size of the super levy, especially in regard to the amount allocated to the implementation of SuperStream.

The Government has estimated the amount required to fund SuperStream is $467 million over the next seven years, some super analysts predict the majority of this will come from larger funds.

Although it may vary from year to year, the levy amount for this year will be calculated as 0.02434 per cent of a fund's assets.

Large funds will also have to pay an unrestricted levy of 0.006535 per cent of all listed assets.

Carbon tax forces quality control measures

The Clean Energy Act is the biggest change to tax in Australia since the GST was introduced in the year 2000.

The carbon tax will force businesses to implement strong quality control management schemes to avoid getting caught paying too much for old technology.

Taking a well thought out approach to the carbon tax will ensure SME owners create efficient, money saving proceedures.

The cost of the tax will be passed onto consumers and small businesses from large companies, generally in the form of rising energy bills.

There is no getting around this tax. It is now the law and will remain part of the financial landscape for a long time.

Carbon tax and SMEs

SME owners must find out the status of their business under the Clean Energy Act.

While most SMEs will not be classified as a liable emitter of carbon, they must factor in carbon emissions embedded into their supply chain and electricity use.

Construction and manufacturing companies have the largest carbon output. However, all SME owners need to discover where their own carbon outputs are to help plan for these rising costs.

Try using an energy dashboard. This is an automated system that monitors energy use and reports back to the user via the internet.

Embrace energy efficiency

Reports show that 90 per cent of SME owners are worried about the rising cost.

However, less than 30 per cent have implemented any form of energy efficiency strategy in their business.

The Government reasons it has introduced the Clean Energy Act to encourage businesses to switch to more environmentally friendly ways of using power for the benefit of future generations in Australia.

There are many products SMEs can use to help save money on the rising power costs. This may result in some initial outlay of money but will save SMEs in the long term.

Other small changes to a business' energy efficiency can also be made by fairly straight-forward upgrades to energy saving lighting control systems, insulation, heating and cooling systems and refrigeration.

Government assistance programs

There are a range of grants, loans, rebates, tax deductions and other government incentives available to SMEs as part of the Government's Clean Energy Future package.

SMEs in the manufacturing sector will be able to access a part of some $800 million from the Clean Technology Investment funds. These funds have been set up by the Government to encourage SMEs to implement changes.

These grants will provide support for investments in energy efficient equipment and low-pollution technologies.

This new technology will help SMEs lower power costs and offer financial incentives that can reduce the price of a solar power system by tens of thousands of dollars.

These subsidies will not last forever. Now is a great time for SME owners to see what options are available for their business.

Signs of a business heading to insolvency

Dealing with insolvency is a daunting and time consuming, but manageable task.

On top of the financial strain, business owners can find insolvency to be emotionally taxing.

There are also considerable legal risks involved. A company director may have to hold creditor meetings or be summoned to appear for a public examination. A director may also be disqualified from managing another corporation for up to five years if two or more businesses have become insolvent under their management.

Watching out for signs that the business is struggling may help prevent insolvency.

Ignoring early warning signs can lead to greater problems later on. However, liquidation isn't the only option.

There are several solutions available to SME owners, such as voluntary administration or even receivership.

As well as researching those solutions, owners should be prepared to make some hard decisions regarding products, clients, processes and staff, including senior management and long-term staff.

All SME owners should understand that insolvency is the inability to pay debts when they are due. Detecting signs of impending insolvency can be difficult.

Bottom line fundamentals such as declining profit margins, outgoings versus incoming cash are the usual indicators.

However, non-financial factors can also provide strong pointers to looming trouble.

Key signs that a business could be in danger of insolvency include:

- Loss of a major customer (worth 30% or more of revenue) with no foreseeable replacement
- Falling behind on lodging BAS returns
- Constantly paying tax obligations late or being chased by the tax office
- Personal finances of the owner become pushed to the limit to keep the business
- Persistent late payment to creditors
- Insufficient revenue to make interest repayments on loans
- Failure to meet any financial obligations, or using limited credit to "juggle" creditors without being able to make any progress on total debt levels

For businesses at risk of insolvency, meeting with an accountant as soon as possible is vital and may save time and money later on.

Mapping out your debts will give you a clear view on where your business stands.

ATO takes aim at tax evaders

Tax evasion is costing the Government at least $50 billion a year, according to a recent report from the Tax Forum.

Small to medium business owners, as well as wealthy individuals, will become main targets of the Australian Taxation Office (ATO) as it tries to address this problem.

It can seems as though some tax laws are flawed as they do not treat all forms of income and expenses equally.

Many of these laws offer incentives and avenues for wealthy individuals to reduce their taxable income so much that they end up paying less tax than the average worker.

As a result, State and Federal infrastructure and services, such as hospitals, miss out on receiving the funds from these wealthy individuals and businesses. This impacts all Australians and means the Government must derive funds for services from other areas.

The report also found that $10 billion a year is lost by small businesses who do not declare income, pass on GST collected, or falsely claim tax deductions. A further $17 million is lost when contractors fail to declare properly.

The ATO hopes to crack down on criminal tax evasion by closing loopholes and concessions that allow big companies to minimise their tax payments.

As a result of this report, the Federal Government will look into making deliberate tax avoidance a civil crime.

This will change the rules so that wealthy Australians, small businesses, and contractors are not able to use companies and trusts to minimise their taxes. Another measure is to tighten the definition of who is a genuine contractor under tax laws. This would require a contractors' client to report fees paid to the tax office.

These measures may seem harsh, however average income earners do not have the same means to minimise tax as the very rich.

When the wealthy employ strategies to lower the average rate of tax they pay, it is at the expense of the not so well-off who make up the majority of taxpayers. Studies show a some wealthy tax payers are more likely to evade tax so the ATO will focus on this group.

Referrals play vital role

Word of mouth referrals are the greatest form of PR for a business.

The best way to get your name on the tip of everyone's tongues is to run a terrific business for many years. Great, but what do you do in the meantime if you are a new business?

Here are a few things you can do to help increase the number of people who will remember your business the next time someone asks them for a referral.

Remind customers you exist. Keep your name and number in front of past customers so they won't forget about you. Maintain a mailing list database and keep in touch regularly through email or post.

Send postcards when you have special offers, write a newsletter, drop a note or send holiday greetings.

It is more cost effective to send emails or SMS. Contact past customers no less than twice a year and no more than every other month or once a quarter.

From professional organisations to community groups, getting involved in different activities within the community will give you new contacts and boost your business reputation.

Tell customers that you appreciate when they give referrals, and then surprise them with a gift or a "Thank You" card if they make the effort to do so.

You could also offer a discount or bonus points scheme for referrals brought in by existing customers.

Use testimonials from past customers in your marketing materials, on your web site or in advertising material.

The fact that other customers let you use their name adds credibility and trust and serves as another kind of "referral."

Gather feedback from customers and clients regularly and implement the feedback.

Soliciting suggestions and responding to them lets customers know you really care about them and want to meet their needs.

This can help to establish and grow a relationship with your customers.

Above all do exceptional work. When you do something that not only satisfies a customer but delights and surprises them, they will remember it, and this will become part of your "word-of-mouth" advertising campaign.

A great read

Random Walk Down Wall Street: The Time-Tested Strategy For Successful Investing (Revised Edition)

By Burton Malkiel

Published by W.W. Norton & Company Inc.

The million-copy best-seller has been revised and ready for post-dot-com investors. Using the dot-com crash as a clear lesson on how not to manage your portfolio, this best seller offers gimmick-free, irreverent, vastly informative advice to navigating the market and managing investments with confidence.

The revised edition includes a new chapter that draws on behavioural finance - the field that studies the psychology of investment decisions.

Malkiel evaluates the full range of investment opportunities from stocks, bonds, and money markets to real estate investment trusts, home ownership, and tangible assets such as gold and collectibles.

This edition includes new strategies for rearranging your portfolio for retirement along with the book's classic life-cycle guide to investing, which matches the needs of investors in any age bracket.

A Random Walk Down Wall Street is well established as a staple of the business shelf and arguably the first book any investor should read before taking the plunge and starting a portfolio.

Whether you want to familiarise yourself in the ways of the market before talking to a broker or follow Malkiel's easy steps to managing your own portfolio, this revised classic remains the best investing guide money can buy.

WEB WATCH

ESSENTIAL SITES FOR BUSINESS OWNERS

www.bizthinktank.com.au

This is a commercial site with a range of practical resources that can be used by a sales manager for a business of any size.

www.biztradeshows.com.au

Interested in attending a trade show that might do your business some good? This site provides a calendar of what shows are coming up and where they will be held.

REMINDERS FOR YOUR DIARY

August

11	Quarter 4 (April – June) activity statements due
14	PAYG withholding payment summary annual report – final date for lodgment
21	Final date for eligible GST monthly reporters to elect to report annually
31	Final date of lodgment for TFN report for beneficiaries of trusts from previous year

September

21	Monthly activity statement due

October

21	Final date for monthly activity statement
	If using rate method for PAYG, for varying the instalment amount final date for lodgment
28	Final date for notifying your quarterly PAYG instalment reporting and payment choice for previous year
31	DASP Superannuation annual report final date for lodgment

We are sometimes asked if we are able to help additional clients. We are a growing firm and do appreciate your referrals. We consider it a compliment when you recommend us to your friends and business contacts.