BUSINESS FIRST

for Business Leaders

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December/January 2017

HOW TO CREATE AN ADVERTISING ADVANTAGE

in a changing media landscape

RINNAI

How one of Australia's leading manufacturers has stayed on top of its game

The CEOs who are helping disadvantaged kids to read

Get your business into shape for the new year

What do Ita Buttrose, Gough Whitlam and Mark Bouris have in common?

Saxton Bureau of Speakers

BUSINESS FIRST MAGAZINE Vol 3 Issue 6
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SPECIAL FEATURE

Investment 101, stocks to watch and more

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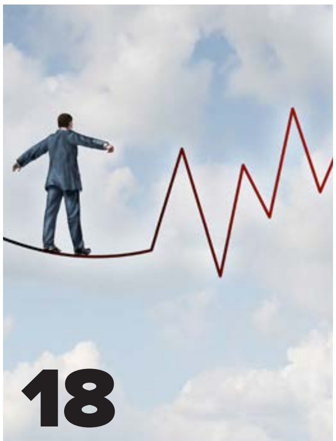

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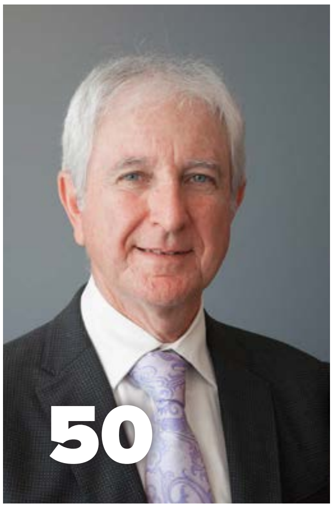

Home for the holidays

It is that time of year again. It comes around just once in the annual cycle and it allows people to take a breath, take stock (if need be) and get ready to start again.

It is of course the New Year period, when most businesses will at least shut down for a few days and leave all their work troubles behind.

For the CEOs and business managers, this can be quite a productive time. As Roger Mendelson says in his article in this holiday edition, "Rather than allowing the Christmas break to pass by, you should set yourself goals for the New Year, and return to work positive and reenergised."

You can bet that is what many of the CEOs featured here will do.

Others, such as Advertising Advantage would be revelling in the rewards of their clients' Christmas advertising successes.

Watching your clients succeed is enough to rejuvenate any tired end-of-year attitude.

Watching your clients and customers thrive can also put a spring in your step. One way to build this level of success is to use human behaviour as a source of insight. CXCO's Aine O'Mahony thrives in doing this.

Understanding human behaviour creates opportunity and delivers high value outcomes for businesses. What more could you ask for coming into the holiday period?

If businesses are having trouble through this period, they might consider contacting a business consultant and WDScott partners, Brendon Tangney and David Leaney will no doubt steer you in the right direction.

If businesses need cash flow advice to get them through this quiet period, R&D Capital Partners (R&DCP) director Gerry Frittmann and fellow director Quintin Freeman could advise.

Or if you are looking for a little inspiration, any of Saxton's speakers will add some insight and motivation to a end of year event. Saxton Speakers Bureau owners Nanette Moulton and Winston Broadbent are inspirations in themselves.

Rounding out this final issue for the year and seeing in the New Year are features about University of Sunshine Coast, leading Australian manufacturer Rinnai Australia and Stan Zets of business consultancy Optivance 360.

To round out our CEO profiles we look into a little bit of Australian history and speak with Stephen Cornelisson about the evolution of Mercy Health and Aged Care.

This issue doesn't end there.

For those with a nose for investments, we take an in-depth look at some of the best performing ASX stocks in the housing and construction sectors and which are the stocks to watch for 2017.

We also take a drive in the surprisingly good ŠKODA OCTAVIA and head to Queensland for the holidays.

Last, but not least, there is a heart-warming story about how CEOs are rewriting children's futures this Christmas through the gift of reading.

Once again there is a lot to absorb in this issue, but this time you may have a few extra days to do so.

From all of us here at *Business First*, we wish you a happy holiday and safe New Year and hope you all come back to work in January refreshed and ready to go again.

Jonathan Jackson

Jonathan Jackson
Editor, *Business First Magazine*

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What to expect from Super changes

WOTSOWorkSpace has announced a strategic partnership with innovation powerhouse, Investible, to facilitate the growth of a national accelerator for start-ups.

Investible is a global startup generator, bringing together investors and VCs with high potential start-ups to reduce risk of pre-IPO investment. Their programs are deliberately gruelling - designed to expose a start-up's weaknesses and determine which ideas and products are scalable, resistant to market threats and readily commercialised.

Investible's LAB Program is an eight-week, full time start-up accelerator, where winning companies access up to $250,000 in capital from the Club Investible network. The program starts with a 5-day entrepreneurial intensive boot camp held out in the bush, originally created by Creel Price for the Branson Centre of Entrepreneurship in South Africa.

Additional commercialisation programs including workshops on sales traction, business models, investor readiness and financial acumen, etc. will also be held at various WOTSO locations throughout the year.

Investible co-Founder, Trevor Folsom, said "There's a nice synergy in the fact that we grow start-ups with longevity and high growth potential and WOTSO provides workspaces that are flexible enough to grow with those companies. We see the relationship being mutually beneficial and a great base for our programs" added Investible co-founder and Chief Executive Officer, Mr Creel Price.

The partnership commenced with launch events at the Sydney WOTSO site this month and other cities beginning in February, 2017. BFM

Why industry funds differ from banks

Industry super funds have delivered superior investment returns to their members over the short, medium and long term compared to bank-owned super funds, according to new data from independent ratings agency Super Ratings.

Over ten years, on average, industry super funds have out-performed bank-owned super funds by two per cent.

The better investment returns can be attributed to the not for profit structure of industry super funds and the commitment of fund trustees to invest in long-term assets such as infrastructure.

"Industry super funds delivered better returns to members because their trustee boards are committed to investing for the long term in infrastructure and other "unlisted" assets such as property, and returning all profits to members", said Industry Super Australia chief executive David Whiteley.

"The trustee boards are made up of representatives of unions and employer groups, and not finance insiders like the bank-owned super funds.

"Industry super funds have avoided the litany of scandals and harm inflicted on Australian consumers by the banks and their 'wealth management' machines.

"Industry super funds are deliberately different to the major banks, and will resist any proposals to make their structures and culture more like the banking sector.

"The public knows what happens when the banks get hold of their super. Industry super funds stand as a superior alternative to bank-owned super funds," said Whiteley. BFM

PRIVATE VINTAGE, PREMIUM EXPERIENCE

A new winemaking experience has quietly launched in Victoria.

Executive teams now have the opportunity to help cultivate and make their own premium, single variety vintage.

The first experience on offer is "Premium Shiraz, Vintage 2017" at Bress Wine, Cider & Produce (Bendigo Region).

Designed for 10 to 24 participants (called "Patrons"), a group will journey together to produce their own premium Shiraz with vintner Adam P. Marks.

"To spend time in the winery understanding the evolution of a wine... there's nothing more pleasing and I love educating. It's just a privilege to be able to give back," says Adam.

Fully customised, each experience includes a uniquely designed label, private Master Classes, vineyard workshops and more. Collectively, a group will produce at least 70 dozen cases of premium wine to share. BFM

Idle staff will cost businesses more than money this holiday season

Idle staff cost billions of dollars each year in Australia during the holiday period, where, in contract- or project-based industries such as Defence or IT, new contracts tend to slow down as agencies and businesses take a hard-earned break and reset for the New Year.

Employee inactivity costs Australian businesses a huge $305b each year in untapped productivity. A 2013 Chandler MacLeod White Paper on the issue reports that 85% of workers believe they could be 21% more productive on the job, at any time.

Tim Walmsley, CEO of BenchOn, sees first-hand the pain that business owners go through when they to let go of valuable employees, simply because there is a gap in their contract and the business can't afford to keep them.

"The holiday period in particular can be a painful time when SMB owners are presented with a lose/lose situation. They can accept the cost of keeping staff on during the seasonal downturn, or they have to let them go. Businesses cannot create lasting employment in this situation," Mr Walmsley said.

"There are many startups making improvements to recruiting and resource management. However for businesses experiencing this cost issue, it's like putting a bandaid on a gunshot wound. The reality is business owners don't want employee turnover — they want to grow a strong and capable team that creates value for the organisation.

"There is a market for that under-utilised workforce," says Walmsley. "Research by Manpower Group Talent Shortage, found that 42% of companies struggle to fill contracts due to a lack of available talent.

"These two seemingly contradictory issues come down to a lack of visibility," Mr Walmsley said. "The companies with spare capacity can't find the contracts, and the companies with the contracts can't find available, high quality staff."

BenchOn, an innovative QLD start-up, is the first company to tackle the issue head on, smoothing the peaks and troughs of the annual business cycle by matching a business' idle staff to short-term contracts from reputable companies and agencies.

The model works, with a recent SMB saving more than $86,000 in employee-related overhead for the upcoming holiday period. For a small company with less than five employees, saving such a large sum can spell the difference between closing the doors or letting go of a critical part of its workforce.

"With the holiday season looming, it's up to Australian SMBs to seek out opportunities to keep their valuable staff on, without having them idly sitting on the bench costing a fortune. The work and the talent is out there, it's up to business owners to shift the status-quo or suffer another expensive holiday period." Mr Walmsley said. **BFM**

Australian SME's are increasingly conscious of cyber risks but lack readiness

Australian small and medium-sized enterprises (SMEs) are more aware than ever of the threat of a cyber breach and the resulting reputational damage but by their own omission, the majority are not doing enough to protect themselves, according to Zurich Insurance Group's (Zurich) fourth annual global SME survey.

Australian SMEs are the victims of cybercrime, with business security shortfalls making small businesses more attractive than ever to cybercriminals. Survey data reveals the greatest concerns caused by cybercrime that can be proactively mitigated against are; damage to reputation (31.5%), theft of customer data (26.5%) or money (15.5%) and business disruption (14.5%).

Callum McMillan, National Commercial Manager for Financial Lines for Zurich in Australia elaborates: "Approximately 97 per cent Australian Government, Treasury, National Small Business Statistics of all businesses in Australia are small businesses and it's encouraging to see SMEs beginning to appreciate the potential severity of cyberattacks, however greater business resilience is needed. The results of our fourth annual SME survey highlights that SMEs are not fully aware of the potentially devastating impact cybercrime could have on their business.

"Flourishing small businesses, by their very nature, are innovative and original making them attractive to those interested in customer data and also to hackers pursuing larger organisations through their contractor relations.

"The Federal Government estimates that cybercrime costs Australian businesses over one billion dollars a year. Interconnectivity has increased with 84 per cent Sensis e-Business Report 2015 of SMEs online and one in two Australian Government, Australia's Cyber Security Strategy, 2016 of SME businesses receiving some form of payment online. It is therefore in the best interests of brokers and the insurance industry to proactively assist SMEs to protect themselves from cyberattacks."

Zurich's global survey polled 2,600 C-suite executives and managers of SMEs across 13 countries including Australia. The overall results revealed the number of SMEs concerned by the impact of cybercrime has almost tripled since 2013 (11% vs 4%). **BFM**

DIGITAL CONTRACTORS ARE A SOURCE FOR STAYING AHEAD IN THE GAME

The gig economy in the UK has grown by around 14 per cent in the past few months alone. It is a flexible working model where freelancers are hired to adapt to changing business requirements. According to the latest ONS Labour Market figures, the number of self-employed people between July and September this year increased by 213,000 to 4.79 million, equating to 15.1 per cent of all people in work.

Digital is becoming the backbone of many businesses and talent is a key component to executing digital strategies. Investment in contractors has increased, as the IT skills gap has widened. Digital trends such as Mobile technologies, Big Data, IoT, Cloud Computing and Cyber Security are shaping the workforce of a business. Digital disruption is encouraging business leaders to seek digital contractors who have the deep domain knowledge and skills set to bring new products and services to market faster.

Businesses are increasingly turning to digital as a way to find new revenue streams and drive business growth. Insufficient investment within the workforce holds back innovation and development. Technology is constantly evolving and businesses need a team who are always at the forefront of the latest innovation.

CEO and Founder of Gibbs S3, Farida Gibbs comments: "In order to digitally transform, businesses need to create a culture of innovation which can be delivered by building agile teams to manage digital projects. By outsourcing digital projects you have access to the best skills and experience on the market, allowing you to stay ahead of the curve."

Farida continues: "Acquisition of talent has become more fluid and flexible. Businesses have a dynamic workforce which can scale up and down according to different business requirements. Digital has changed the business model and we are seeing that technology is not becoming one aspect of business, but how business is being integrated into technology. Technology is encompassing all aspects of a company and is a driver of success. Businesses need to partner up with the right specialists to leverage the right expertise on an ad-hoc basis – when they want, where they want and how they want." BFM

Being the boss is low priority for Millennials

Australian Millennials are less concerned about 'getting to the top' and managing others than they are about paving their own path within their career and developing their skills to ensure employment security, according to new a ManpowerGroup research report Millennials: A Career For Me.

The research of more than 19,000 Millennials across 25 countries examines Millennials' work ethic and priorities, and provides a snapshot of the future landscape of work.

Commenting on the most recent report's findings, Richard Fischer, Managing Director of ManpowerGroup Australia and New Zealand said, "Employers often ask about the best way to attract and retain Millennials and understanding what really motivates them is the first challenge. As our research shows, contrary perhaps to previous beliefs, Millennials are driven by having a sense of purpose as well as accessing opportunities to build relevant skills to create job security."

EAGER TO LEARN INDIVIDUAL SKILLS, JUST NOT MANAGEMENT

Millennials are largely focused on developing their individual skills such as communication, technology or job-related skills, with 56 per cent choosing individual skills over learning to lead or manage others (44%). In addition, 77 per cent of Millennials would change jobs for the same pay, but more skills training opportunities.

Just 22 per cent of Australian Millennials rank aspiring to leadership roles, such as owning their own company (10%) or getting to the top of an organisation (7%) as their top career

goal. Instead, the focus is on making a lot of money (21%), contributing positively (23%) and working with great people (22%).

Mr Fischer said it was encouraging to see young people focusing on their skills development, noting that it would likely help people progress and earn more money in time. "When starting out in a career, people often focus on their salary expectations more than they do developing soft skills and networking. These are core competencies that will set you up for the future and it is likely that money and responsibility will follow with time."

MEN ASPIRE TO LEAD MORE THAN WOMEN

Mr Fischer concluded by saying that employers can attract, develop and retain millennial employees by embracing the following tips:

- Offer career security
- Appreciate your millennials
- Focus on career variety & mobility
- Be ready to ride the career waves and be flexible
- Have regular career conversations
- Be open to alternative work models. BFM

Treasury wine

Business First would like to correct a few facts relating to Treasury Wines in the article titled 'A better vintage' by John Quinn published in the previous issue.

Firstly, the divestment of brands that is being referred to was of non-core commercial brands in the US and nothing to do with Australian wine brands as the article suggests.

TWE has not closed Seppelt Great Western and the Cellar Door and underground drives remain open. TWE have also not sold T'Gallant and Lindeman's is one of its global brand priorities – the site in Hunter Valley is only closed for renovation.

TWE would also like to note that it has never compromised on the quality of its wines – evident in awards like Wolf Blass being awarded 'Red Winemaker of the Year' for the third time at the 2016 International Wine Challenge, and Penfolds being named 'World's Most Admired Wine Brand' by Drinks International in 2016, as well as Matua just being named this week New Zealand Wine Producer of the Year at the IWSC. BFM

A GUIDE TO INVESTING IN HOUSING AND CONSTRUCTION

While GDP figures during the mining boom highlight the substantial contribution that can be made when the industry is buoyant, it certainly left a big hole in the budget when boom turned to bust.

The housing and construction sector, while not quite taking mining's place, has filled a void. Housing has been robust in recent years due to low interest rates, (although for how much longer remains to be seen).

Some analysts see interest rates rising, whilst tipping a plateauing or soft landing in the industry rather than a steep decline. Should the industry move in this direction, long-term investors would be monitoring signs of a downturn as the subsequent share price retracement of stocks in the industry may provide a buying opportunity.

Several blue chips will remain safe and worth considering, however we have to point out here that this article in now way constitutes personal advice, it is general advice only and anyone looking to invest in stocks should take their own personal circumstances into account and seek professional financial advice.

In this article we will take a look at several sectors within the housing and construction industry and the stocks that you may want to put on your radar.

HARDWARE, BUILDING AND GARDEN SUPPLIES

This sector is the second best performer in the industry outlook compared with September 2015, and the year-to-date turnover growth of 5.1% is equal third behind takeaway foods and clothing.

The December/January holiday period can be one in which hardware sales perform well with DIY renovation projects being undertaken, and in some cases (particularly in Melbourne!) the impact of severe weather events prompting maintenance and repair.

Investment exposure to the residential housing sector with insulation against a possible downturn in new housing construction could see investors consider the following companies across internal kitchen and bathroom fittings, lighting, paints, stains and adhesives. Others have divisions that specialise in door and access systems including security and electronic access control systems, including CCTV.

STOCKS TO WATCH (NOTE THESE ARE NOT BUYING RECOMMENDATIONS)

1. DuluxGroup (ASX: DLX) has big brands that have come unstuck in the last 12 months. As a manufacturer and marketer of products that protect, maintain and enhance spaces and places at a commercial and residential level, the company has made its mark on the global stage with prominent brands such as Dulux, British Paints, Selleys, Cabot's and Yates leading the way in the paints, coatings, adhesives and garden care markets.

DLX also has some high profile brands in the door industry including B&D Doors and Openers, Garador and the Dominator. From a broader perspective, the company has performed extremely well share price wise since the Orica demerger which occurred in 2010.

In the ensuing five years the company's shares increased from circa $2.50 to hit an all-time high of $6.88 in April last year. Less than six months later the company's shares were trading close to $5.00.

Despite a recovery to the $6.80 mark in January 2016, DLX recently hit a 12 month low of $5.91, which coincided with the release of the group's fiscal 2016 result and Donald Trump's victory.

Morgans CIMB has a hold recommendation on the stock with a price target of $6.34, so retracement to a low of $5.91 may bring the company into buy territory given group revenue are expected to continue to provide resilient profitable growth.

2. Gale Pacific (ASX: GAP) is a leading manufacturer and marketer of advanced polymer textiles and value-added products. The group produces globally recognised Coolaroo domestic shade cloth and leisure products which include shade sails, gazebos, umbrellas and window coverings.

In recent years the company has expanded into new areas and it now has a retail range of DIY window furnishings and glass products under the Zone Interior and Everton brands. The latter is particularly popular in Australia.

Looking at the overall business, while GAP generated approximately 60% of revenue from Australasia in fiscal 2016 there were also important contributions from the European, Asian and American regions which accounted for circa $65 million of group sales ($173 million).

The company generated impressive growth in fiscal 2016 with a 47% increase in underlying profit after tax struck on the back of a 17% increase in revenue. GAP's balance sheet was strengthened substantially with net debt falling from $16.7 million to $8.2 million leaving it well-placed to fund a range of initiatives including product innovation and supply chain management.

Ian Munro from CCZ Equities Research has a buy recommendation on the stock with a price target of 50 cents, representing a premium of nearly 50% to the company's recent trading range.

Munro noted that the group has a strong relationship with Bunnings Australia with its product range represented in 14 different aisles within the group's 240 store footprint across Australia.

Munro is forecasting a fiscal 2017 net profit of $11.4 million, representing earnings per share of 3.8 cents, implying a PE multiple of circa 10 relative to the company's current trading range.

3. Reliance Worldwide Corporation

While Reliance Worldwide Corporation (ASX: RWC) only listed on the ASX in April 2016 it is an established player in the small diameter pipe, valve and fitting market.

Management recently highlighted that there isn't a dominant competitor in this market segment, providing the group with substantial opportunities to generate organic and acquisition led growth.

RWC couldn't have got off to a better start as a listed entity, delivering a fiscal 2016 result that was ahead of prospectus forecasts on a sales and EBITDA basis.

The group generated EBITDA of $17.3 million from sales of $98.3 million in the statutory period, but pro forma sales taking into account the full 12 months were up 18% to $534.4 million.

Pro forma EBITDA was up 25% to $99.1 million, illustrating the strong margins generated by this business, typical of an operation that has significant pricing power due to its substantial share of a fragmented market.

RWC generated strong growth from the Americas, and this is expected to continue in 2017 as the group increases its retail distribution presence in the US.

The company also generated strong cash flow in fiscal 2016 with free cash flow conversion reaching 84.2% against the prospectus forecast of 74.2%. The balance sheet finished in a robust position and there is head room to fund further growth.

Analysts at Macquarie Wealth Management are forecasting earnings per share growth of 18.7% in fiscal 2017. The broker has an outperform recommendation on the stock with a 12 month price target of $3.40.

HOUSING AND CONSTRUCTION

4. AV Jennings

AV Jennings (ASX:AVJ) is a leading residential property development company that has been established for more than 80 years. The company's focus has traditionally been to provide affordable housing with the added attraction of developing whole communities which assists in marketing their homes as part of a residential/lifestyle package.

To achieve this goal the group has targeted fringe suburban areas that offer infrastructure such as transport, shopping and essential services, effectively ensuring that homeowners aren't disadvantaged in comparison with those living in more expensive city and fringe CBD locations.

Once again, it comes back to affordability and by employing this strategy AVJ is able to operate as a high-volume builder with economies of scale that come with the bulk purchasing of materials.

This was evident in the company's fiscal 2016 result which featured revenue and profit growth of 32.7% and 22% respectively. Earnings per share increased 18.6% to 10.7 cents and consensus forecasts point to a similar result in fiscal 2017, implying a PE multiple of 6.5 relative to its recent trading range of 70 cents.

In running the ruler across AVJ's fiscal 2016 result, Jonathan Snape from Bell Potter upgraded fiscal 2017 and 2018 earnings per share by 16.1% and 13.7% respectively and said, "After a period of trading at a substantial discount relative to its peers, AVJ has begun to close this gap but still trades at a 23% discount to net tangible asset value and it has the lowest fiscal 2017 PE multiple within its peers".

5. Sunland Group

Sunland Group's fiscal 2016 net profit of $31.5 million represented year-on-year growth of 5%, and was well in excess of the mid-range of management's

guidance, which was $27.5 million.

The result also caught brokers by surprise with Fiona Buchanan from Morgans CIMB noting the operating profit of $34.1 million was significantly ahead of her expectations of $30.3 million.

Buchanan subsequently upgraded her profit forecast for fiscal 2017 by 20%, saying that near-term earnings will be supported by 16 active projects across Queensland, New South Wales and Victoria with a further nine projects to be launched in fiscal 2017.

Not surprisingly, the quality of the result triggered a rerating with its shares increasing from approximately $1.50 to nearly $1.70. However, the stock has recently gone ex-dividend and its shares are now trading in the vicinity of $1.55.

This represents a sharp discount to the 12 month consensus price target of $2.24, which appears well within the company's grasp given it implies a PE multiple of 11.3 relative to the group's fiscal 2016 earnings.

6. Villa World

Villa World (ASX:VLW) delivered a strong fiscal 2016 result with its pre-tax profit of $47.2 million exceeding guidance of $46.6 million and representing year-on-year growth of 60%.

Reflecting on the result, Scott Murdoch from Morgans CIMB noted that the company was trading on a fiscal 2017 PE multiple of 8 and that his forecast dividend for that period of 19 cents per share implies a dividend yield of 7.5%.

This prompted Murdoch to increase his price target from $2.54 to $2.71 while also upgrading earnings per share forecasts for fiscal years 2018 and 2019.

Murdoch highlighted that the company's promising outlook for fiscal 2017 was supported by pre-sales of $165 million, representing an increase of 24% compared with the previous corresponding period.

In the last 12 months the company acquired 2139 lots including the purchase of three sizeable projects in south-east Queensland which management expects will provide product continuity over the next 4 to 6 years.

BRICKS AND MORTAR

7. Boral

Boral (ASX: BLD) is an S&P/ASX 100 company that has consistently paid strong dividends. Consequently, it is also closely followed by institutional investors and self-managed super funds.

Boral is Australia's largest building and construction materials supplier with operations in all states and territories.

In Australia, BLD supplies concrete, quarry products, asphalt, cement, bricks, plasterboard, roof tiles, timber and masonry which is used across numerous sectors including infrastructure, residential construction and commercial buildings.

BLD also has a substantial presence outside of Australia through its 50% owned joint-venture with USG, the leading supplier of plasterboard and internal linings products across Asia and Australasia.

This geographic diversification also extends to the US where it has industry-leading positions in bricks, concrete and clay roof tiles, as well as manufactured stone and a small but growing composite products business.

BLD's shares spiked nearly 50% in fiscal 2016, but it fell out of favour after delivering its full-year result in August, trading as low as $6.17 in mid-September. However, it seemed another one of those cases where sharp share price gains needed to be accompanied by outperformance rather than results that were in line with consensus forecasts.

Simon Thackray from Citi noted that core earnings from the group's construction materials and cement division were 3% shy of his forecasts. Perhaps this contributed to negative sentiment.

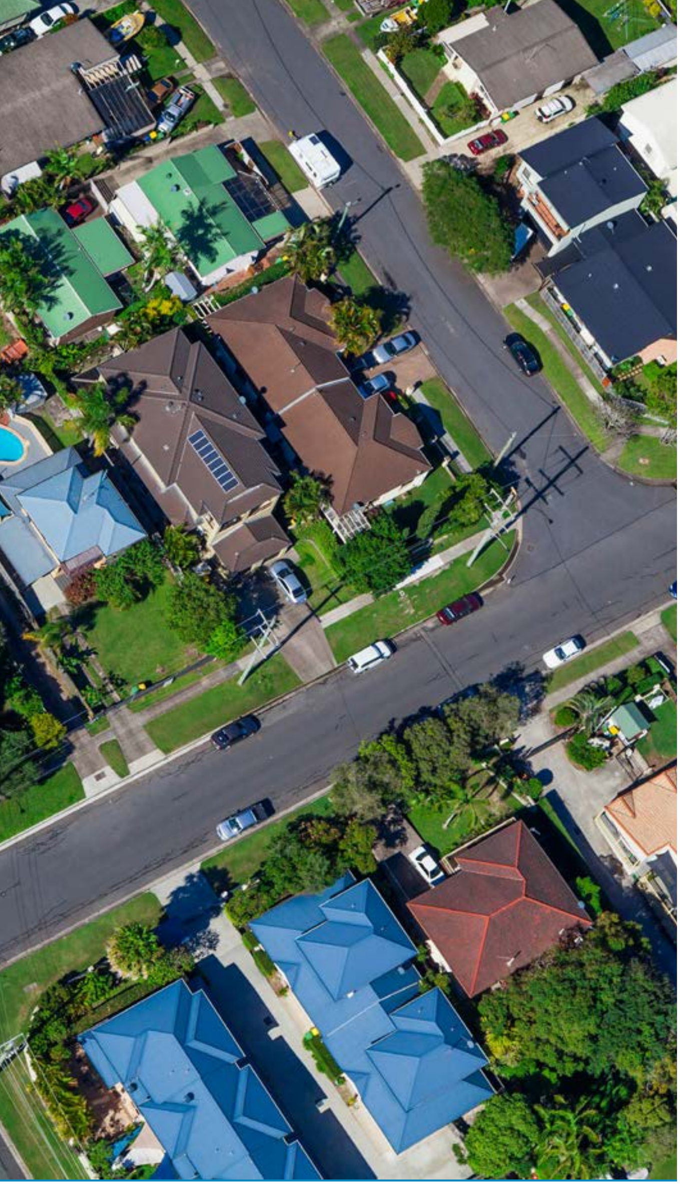
However, to some extent the negative sentiment appears to have dissipated with much of the retracement from $7.40 on the day prior to releasing its result to circa $6.20 being regained as the company traded as high as $6.80 last week.

Macquarie Wealth Management ran the ruler across the stock in mid-September when its share price was trading at $6.24. The broker settled on a neutral recommendation with a 12 month price target of $6.60.

With regard to the group's fundamentals, Macquarie is forecasting a fiscal 2017 profit of $283.4 million, representing earnings per share of 37.5 cents, indicating that the company is trading on a PE multiple of 16.7.

Given that the broker is forecasting compound annual earnings per share growth over the next three years of less than 10%, BLD looks fully valued.

From a yield perspective, the likes of ABC represents



a far better option with BLD's consensus dividend forecasts for fiscal 2017 implying a yield of less than 4%.

However, perhaps the key to BLD's long-term success hinges on its diversification strategy which involves entry into new geographic markets, as well as the development of products that will be more in tune with environmental initiatives, as well as being more cost-effective.

8. BlueScope Steel
BlueScope Steel (ASX: BSL) is a global leader in premium branded coated and painted steel products. The group is the third largest manufacturer of painted and coated steel products globally and it also has a dominant position in the engineered steel buildings industry, holding down number one position in building and construction markets.

Management's strategy is to drive growth in premium branded coated and painted steel markets in Asia Pacific while building on the strong value proposition it can offer customers across the Pacific Rim from Asia, Australia, New Zealand and the West Coast of North America.

Simon Thackray from Citi noted that BlueScope's underlying fiscal 2016 earnings before interest and tax of $570.5 million, representing year-on-year growth of 89% was the company's best performance since 2008.

The key takeaway for Thackray though is the fact that the group enters 2017 as a business that is much more structurally sound following efficiency and cost saving initiatives undertaken in its Australian operations over the last 12 months.

Thackray is fairly bullish on the group having increased his price target from $10.00 to $11.03 in response to the group's fiscal 2016 result. Macquarie Wealth Management has an outperform recommendation on the company with a 12 month price target of $9.85.

9. Fastbrick Robotics
Fastbrick Robotics (ASX: FBR) burst onto the construction industry scene in 2016 and its share price soared. Since the company first came to attention its shares have increased from 2.7 cents to hit a high of 15 representing an increase of more than 450%,
cents before settling at 11 cents.

It should be noted that this is still an early stage play and small cap stock and as such still has a long way to go before becoming a significant player in the construction industry. It is important to take a cautious approach to an investment decision in FBR and seek professional financial advice.

10. James Hardie Industries
James Hardie industries (ASX: JHX) manufactures and distributes fibre cement products that are used in internal and external construction of buildings both in the residential and commercial sectors.

The company delivered a solid result for the 12 months to March 31, 2016, but by the time it reported its result in mid-May its share price had run strongly, increasing from a low of $14.24 in January to circa $19.00.

This weighed on the sentiment of some brokers with Simon Thackray from Citi downgrading his recommendation from neutral to sell on the basis that the company's shares were trading in excess of his target price of $18.60.

However, plenty of investors were undeterred and its shares hit an all-time high of $23.09 in late July. Thackray has since revisited the stock, and he now has a neutral recommendation on the company with a 12 month price target of $20.80, broadly in line with the group's current trading range.

The positive sentiment towards the company has been driven by its exposure to a predicted recovery in the US housing market. On this note, Macquarie Wealth Management recently highlighted that the group offered the highest exposure to favourable US housing market dynamics and this is a contributing factor in underpinning the broker's outperform recommendation and price target of $23.00

This is just a drop in the ocean of the thousands of stocks in the housing and construction industry, but it should give you a taste of what is out there and what analysts look for when rating a company.

We hope this gives you a small guide of what is available, however we do reiterate the point that broker projections may not be met and investors should seek professional financial investment advice. Further to this, previous trading patterns are not an indication of future share price movements, and as such shouldn't be used as a basis for investment. Seek professional financial advice for any investment decision. BFM

TOP 10 MICROCAP STOCKS TO LOOK OUT FOR IN 2017

By **Gabriel Yi**, Managing Director of M3 Investment Group

In a turbulent year for Australian equity markets, we have seen many structural shifts in investor appetite: the commodity bulls have come out from years of hiding to make the mining and material sectors the best in class for 2016, the growth mid-cap sector has experienced weakness in recent months from risk-off trends, and the high yielding, bond proxy shares have also been sold off along with bonds.

It's been more difficult to find many screaming undervaluations in the large cap stocks, we've been seeing weakness as well as much lower liquidity in the mid cap stocks, and the small caps have had a stellar year but many opportunities have become crowded. This leaves us with the microcap sector. We classify microcaps as stocks with market capitalization of under $250 million. We aim to identify the businesses in this space that are capable of becoming much larger over time and many of the same valuation principles used to identify small-mid cap opportunities are implemented to uncover the gems in the diverse microcap world.

Since microcaps generally lack the long track history of larger, more established businesses, it is important to focus on the quality of the management team and it is a good sign if they have had previous successes in growing businesses from the ground up in a similar field. We want to find companies that have a strong product or service, with strategies or disrupters in place to take market share from the larger competitors. While it is difficult to find in the microcap space, a strong balance sheet is a big confidence booster. The following 10 microcaps have piqued our interest and are ones to look out for in 2017:

1. Data #3 (DTL)

A provider of corporate IT solutions, DTL generates revenue from the resale of its partners' IT products (Microsoft, Cisco and HP), the provision of outsourced IT functions and the design and implementation of custom IT solutions.

The growing adoption of the cloud as an IT platform for businesses and large organisations drive DTL's growth, as it takes advantage of its product knowledge and experience in designing, implementing and maintaining custom IT solutions to create new annuity-style revenue streams. The rock-solid balance sheet with $100m in cash and low debt makes DTL even more attractive.

2. Gentrack (GTK)
An Auckland-based software company, GTK has been providing specialist software for utilities and airports for almost 3 decades. GTK is the clear market leader in mission critical CRM and billing software for utilities in New Zealand, and has a sizeable presence amongst Tier 2 utilities in Australia and the UK. GTK's airport management software is also utilised in the majority of both New Zealand and Australia's largest airports (including Sydney & Auckland Airports) with a sizeable presence in the UK. Profitable with no debt, we see GTK's continued growth to be driven by the deregulation of the electricity and water utility sector in the UK, and then by the adoption of smart grids/ metering which will require upgrades to existing billing systems.

3. Adacel (ADA)
Adacel provides flight simulation and training as well as air-traffic management software and systems. It is a true global player (which is especially hard to find in the Australian market) with most of its revenues generated internationally from contracts with the US Department of Defence, various civil aviation authorities and other aviation organisations. Given its long history as a partner with these entities (ADA was founded in 1987), ADA has built a significant recurring revenue stream from servicing implemented systems that provide a degree of stability to earnings, in an industry that typically experiences lumpy earnings cycles.

4. Clover Corporation (CLV)
Clover Corporation is a manufacturer of ready to blend Omega-3 fatty acids and other nutritional lipids for use in infant formula and other dietary supplements. CLV uses a proprietary encapsulation technology that masks unpleasant tastes and odours which makes its products ideal for use as a nutritional supplement.

Approximately 50% of CLV's revenue is generated from customers in Australia and New Zealand, with about 40% generated in Asia and 10% in Europe and the Americas. It is leveraged to similar structural drivers behind the rising consumption of infant formula in Asia which has driven the rise of the likes of Bellamy's.

5. Austin Engineering (ANG)
Austin Engineering is a manufacturer of specialist mining and earthmoving equipment used in the mining industry. It specialises in off-highway dump truck bodies along with mining excavator buckets manufactured under the JEC and Westech brands. Following an equity raising and asset sale in 2016, ANG's debt load has been substantially reduced. With that stronger balance sheet, ANG is well placed to benefit from a potential turn in the mining investment cycle.

6. Senatas (SEN)
Senetas is a manufacturer of defence-grade, high speed data encryption devices and solutions to governments and corporations globally. SEN focuses mainly on products for Layer 2 networks, which are typically high-bandwidth connections between multiple Local Area Networks. The continuing rapid expansion in data generation and traffic and the increasing awareness by governments and corporations of the need for security to protect this data from hackers and other malicious threats, should provide a strong secular tailwind for SEN's core cybersecurity offerings. With strong earnings momentum, having 19% revenue growth / 30% NPAT growth over FY16, SEN is an interesting growth prospect for the future.

7. RXP Services (RXP)
RXP Services is a digital design, IT and data consultancy firm and services a range of commercial industries and various government agencies. RXP operates five core specialist practices (customer experience, transformation management, data management, IT optimisation and software development) which provide significant cross-sell opportunities to its existing client base. Its growing diversified client base and focus on strategic acquisitions can help carry RXP's strong momentum throughout FY17.

8. LifeHealthcare Group (LHC)
LHC is a high end medical device distributor in Australia and New Zealand. Its strategic acquisitions in Interventional Cardiology and Ultrasound divisions have contributed to a strong FY16 earnings result with 15.6% revenue growth / 11.6% EBIDTA growth. The ageing population and introduction of new products and active surgeons underpin LHC's prospects of future growth, and its strong historical dividend yield looks very attractive.

9. Praemium (PPS)
A provider of investment platforms and administration tools, Praemium has continued to grow its asset inflows and this is evident in its 23% revenue growth in FY 16. PPS has no debt and its Software as a Service (SaaS) business model is subscription based which allows for recurring revenue. It's had a stellar run this year but if they continue to win new contracts and inflows, we are excited for Praemium's long term outlook.

10. McPherson's (MCP)
A consumer products business, MCP markets and distributes a diverse range of health and beauty products as well as household consumables and durables throughout APAC, UK/Europe and North America. McPherson's have consolidated their products to focus on the high margin, market leading brands and it is looking to accelerate their expansion into China, devising multi-channel approaches to the distribution of its products. MCP's high fully franked dividend is also attractive.

Microcaps can be an exciting space, more so if you are able to invest early and watch the businesses grow into blue chips over time. But as always there are risks. In order to avoid the common pitfalls of this space such as poor capital management and strategy execution risk, ongoing due diligence is a must. There are gems that can shine through with enough research, patience and a little bit of foresight. BFM

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INCREASING THE ODDS:

The top 5 strategies to aim for outperformance

By **Gabriel Yi**, Managing Director of M3 Investment Group

Whether you're talking about the stock market in the boardroom, the golf course or the backyard BBQ, the age-old question still remains and is hotly debated, "How do you outperform the markets?" The value investors quote long-term fundamental strategies while the short-term traders quote technical strategies. Each of the strategies have merit and both could lead to outperformance in the markets, but it invariably comes down to execution. However, it is our belief that by implementing some key elements of both fundamental and technical strategies, we can increase the odds of outperformance.

1. Fundamental Analysis done, what next?
Fundamental-based stock picking is a very important aspect of portfolio construction and it can be done in a number of ways. Determining the intrinsic value of a stock using a combination of a discounted cash flow valuation and a fair/intrinsic multiple valuation is the leg work but what next? Is it a simple matter of then adding every single stock that is trading below intrinsic value into the portfolio? Perhaps not.

Using the intrinsic value as a target price and taking into account the near-term earnings trajectory, potential catalysts and technical picture can help identify downside risk, and as a result, allow you to

develop an entry/exit strategy for the stock. This can establish a disciplined approach to the trade/investment.

2. Timing the markets

It's an almost impossible task to pick the absolute bottoms and tops of stocks due to the inherent risks of the market as well as the global economy. However, identifying the early stages of uptrends and downtrends can once again increase the odds of outperformance.

Since the classic law of supply and demand affects the stock market, the price of any given stock reflects the current supply-demand dynamics and technical analysis can help paint a clearer picture. Relative Strength Indicators (RSI), Moving Averages, Support and Resistance levels, Moving Average Convergence Divergence (MACD) and various price patterns (such as head and shoulders, double bottom/top formations) are some of the approaches we can use but it's important to use at least a couple of these approaches simultaneously to increase the likelihood that the buy/sell signal is correct.

3. The Hedge

2016 has been a year of political shakeouts (e.g. Brexit), nervous lead ups to elections (US) and central bank uncertainty (BOJ and to some extent US). The common theme has been uncertainty and fear. The gold trade has been widely implemented in the Hedge fund world and we see its merits as a trade on fear. Usually in instances of political unrest such as the weeks leading up to the US presidential election, the fear radar and VIX Index rises, accompanied with Gold prices. So to the investor/trader that see gold as a fear trade, it serves an important purpose in the portfolio, if implemented at the right time.

4. Moving to the sidelines

In a multi-month/year bear market or a multi-week correction, moving the portfolio to hold more cash is a strategy which can greatly increase the odds of outperforming the market. Most of these broad market declines are often triggered by negative macro-economic/political developments such as recessions and elections/referendums, which typically take months to unfold and are thus usually telegraphed in advance. By being aware of these developments and taking into account the warning signs (VIX Index), an investor/trader can take on board these indicators to tactically increase cash exposure within portfolios.

5. Let's keep the emotions out of it

Investing in stocks is an exercise in calculated prediction of the future, with many moving variables that could affect the price such as earnings, unforseen company developments and general shifts in market sentiment. In such an inherently risky game, disciplined and logical reasoning is of the utmost importance. Judgement that's clouded by emotion can lead to chasing a stock from fear of missing out and this can detract from outperformance in the long run. BFM

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WHY MEDICAL COMPANIES ARE HOLDING THEIR OWN

The downgrading of global growth by the IMF is not hurting all businesses says **Insync FM**, but another IMF downgrade would make this year's growth rate the slowest since the 2009 financial crisis cast the world into recession.

"The slowdown in the global economy will have relatively minimal impact on the outlook for Medtronics which is benefitting from the powerful megatrend in the growing demand for healthcare products and services and through innovation," said Monik Kotecha, CIO, Insync Funds Management.

In a low global growth environment, Insync is still finding opportunities in the global healthcare sector.

Whilst global GDP is forecast to grow at around 2-3%, and there are growing concerns around the deleveraging necessary in China and the negative impact the global economy, Insync is finding opportunities in the global healthcare which they forecast to grow at a pace of 2x GDP over the coming years.

In the recent market volatility Insync added to its position in Medtronics, the leading medical device company in the world.

Medtronics is extremely well diversified across different products and geographies and has leadership positions in cardiology, general surgery, vascular, neurology, spine, and diabetes markets.

The company is forecast to generate free cash flow of over $7bn in 2016 and is committed to returning 50% of its free cash flow to shareholders in the form of growing dividends and buybacks.

The slowdown in the global economy will have a relatively minimal impact on the outlook for Medtronics which is benefitting from the powerful megatrend in the growing demand for healthcare products and services and through innovation.

The recent volatility in global markets provided Insync the opportunity to increase it's holding in Medtronics.

BACKGROUND

Insync manages a concentrated portfolio of 15-30 exceptional global companies in the Insync Global Titan's Fund with Medtronics now the Fund's largest holding.

Insync finds the global medical device sector has characteristics it seeks in exceptional businesses:

- including high levels of profitability
- strong free cash generation, and
- strong capital allocation back to shareholders in the form of rising dividends and buybacks. BFM

Monik Kotecha is the chief investment officer at Insync Fund Managers which invests in highly profitable companies that are benefitting from global megatrends. He has worked in London, New York and Sydney. He spent over 7 years as a Senior Portfolio Manager at Investors Mutual Limited, 5 years with BT Funds Management Limited and 3 years with the Abu Dhabi Investment Authority. Monik has considerable hedging and currency risk experience.

About Insync Fund Managers

Insync manages a concentrated, large cap global equity fund incorporating downside protection strategies and active currency management. The fund is managed conservatively, with an absolute return focus, given that the key to compounding strong long term returns is to minimise drawdowns. The stocks that Insync focuses on are exceptional global businesses with high returns on invested capital, strong free cash flow generation, solid balance sheets and a track record of returning cash to shareholders through growing dividends and/or share buy-backs.

TRADING PITFALLS

By Ric Spooner (Chief Market Analyst, CMC Markets)

"Oh that's pretty risky isn't it", is a standard response from new acquaintances when you divulge that you are a trader.

In many respects trading can actually involve a lot less risk than many other small businesses. The amount of capital required can be relatively modest and overheads can reasonably be limited. You don't need a lot more than your time, a computer and perhaps some research material. There's no need to sink large sums into buying goodwill, employing staff or setting up premises.

However, you can think of your trading business like a start-up. Most people will need to acquire trading and the risk management skills to deal with market volatility. This can take time and experience. It's a starting hurdle that many stumble at.

This article highlights what I think are a couple of the main things that can be a barrier to succeeding as a trader.

Trading and investment require different strategies

Most people new to trading begin start with the thought that they need to develop skills and experience in instruments they plan to trade. What's even more important and what many fail to consider, is that you will also need trading skills. This is a different proposition to investing.

It's common for people with deep experience in a particular market or who have been successful in business, or as investors, to fail as traders. On the other hand, people who have developed a trader's skills and mindset often find it quite easy to successfully translate this across different markets.

A starting point is to focus on the differences between trading and investing. Both involve buying and selling assets like shares or property and often use similar selection techniques. But they have different aims.

Investing is about making a return on capital by earning income like dividends or rent and often also through capital gain. An investor usually buys an asset because it pays a good income stream and/or has attractive growth prospects over time. Investors normally aim to hold an asset over the medium to long term unless circumstances change or unless better,

less risky opportunities arise. Depending on the circumstances, it often makes good sense for investors to hang on and ride through bad times rather than selling out below fair value.

Trading, on the other hand, is about relatively short term profits that come through buying low or selling high. Traders buy and sell assets because they look temporarily mispriced. There's more risk and more work involved in trading, so higher returns are required.

To state the obvious, trading success requires the value of profits to exceed the value of losses over a given period e.g. a year. What's a little less obvious, is that this depends on a winning combination of Success Ratio (% of winning to losing trades) and Pay off Ratio (average $ value of winning trades compared to losses). For example, the pathway to success might be a small number of big winning trades and a larger number of much smaller losses.

Traders need to accept losses

Unlike investors, traders usually can't succeed over the long run by hanging on to positions and waiting for things to come good when things get a lot worse than expected. Hanging on will of course work quite a lot of the time and provide the relief of getting out of jail on individual trades. But it's a practice that makes it hard to succeed over the long run.

There are two reasons for this.

- You will inevitably be forced out for a large loss on some trades that don't recover or where the pain becomes too great. These big losses will do so much damage to your payoff ratio that it will be difficult to succeed over the long run.
- Hanging on for much longer than normal ties up trading capital making it harder to achieve the turnover often needed for high returns.

THREE KEY MISTAKES

With all this in mind, here are my suggestions for three mistakes to avoid:

1. Don't sweat individual losses. Understanding that losses are a routine part of trading can help overcome a key psychological problem for many traders. Once they get into a trade they are mainly motivated by avoiding loss on that position. This leads to the twin evils of some large losses and a lot of small profits. A better approach is to work at developing strategies designed to achieve a winning combination of winning and losing trades over the longer run.

2. Don't get into trades without knowing where you will get out. We open ourselves up to a lot of the psychological barriers to trading success by allowing ourselves the leeway to have our exit strategy influenced by fear or greed once we are already in the position.

3. Don't ignore staking plans. Putting yourself on a treadmill of over confidence followed by fear and depression is a remarkably common barrier to trading success. The treadmill involves taking big positions after a few wins only to suffer a large loss. Then scaling back only to have a great string of wins with only tiny positions. BFM

IMPACT INVESTING: BE TRUE TO YOURSELF

By **Samantha Sargent**, natural skincare expert, distributor of AEOS and founder of Be Genki

Every time you buy a product you are saying to that company, 'keep on doing what you are doing.' You are supporting everything that company does: every source of raw material, every packaging solution, every environmental standard that they are undertaking, every form of employee relations, every marketing choice. From my point of view, every dollar we spend is the way we get to vote for the future we wish to create. Once we recognise this fact, we soon appreciate just how influential our choices can be.

As a business owner, I apply the same logic. There are many excuses we can make for our choices if we wish to. But at the end of the day, I need to be able to look at myself in the mirror being happy with the impact that my choices make. From my point-of-view there is not enough accountability in the world. Too many of us are sticking our heads in the sand telling ourselves the lie that we can't make a difference. Or that our choices don't matter. We can. And they do.

I have the belief that what we do to the planet is what we do to ourselves. And vice versa. In my work role, I've been fortunate to travel all over the world, and it's no surprise to me that I feel a genuine sense of happiness and motivation or inspiration when I am walking through a rainforest, or on an organic / biodynamic farm, or on the beach at home. We, as humans, are intertwined with the Earth. It's simply a matter of remembering this fact. When I'm in a big city like Tokyo, Hong Kong, London, Shanghai or even parts of Sydney for that matter, it's as clear as day that many people have forgotten this connection, and I strongly believe that this forgetfulness is what is causing so much of the emotional dissatisfaction, stress and disharmony in people's lives. For me, I always tend to feel a bit flat in big cities. But when I'm at home in Northern NSW my body, mind and whole being is filled with joy. So, when it comes to what business I choose to focus my time on, and the brands we choose to repre,sent and work with such as AEOS there is no other choice I could possibly make, than to choose a business that encourages us to nurture this beautiful planet we live upon, which also goes hand in hand with nurturing the beautiful body that we walk around in.

I fully appreciate that it is a utopian ideal to expect our societies to forego modern comforts, industry and technologies. I am certainly pro-progress, and

for businesses to flourish. However, I think that as individuals we can all do a lot more in terms of making conscious sustainable choices.

The natural beauty and wellbeing industry to me is so much more than skin deep. Our daily grooming and self-care habits can affect our entire body, mind and state of being, and how we interact with ourselves and the world around us. I started my business over 10 years ago and it still brings tears to my eyes when I read emails from customers about how much happier they are in their life due to a little change they made to their personal care choices. This is not a little thing. It's huge! If I can somehow help facilitate people to fall in love with their skin, their body, and the way they go about their life, whilst also knowing that the products and lifestyle choices that we recommend work in harmony with the environment and not against it, then that is the greatest honor that I am truly grateful for being able to wake up and do each day. The flow on effect that this has to the lives of our customers is significant – it can affect the way they interact with their partner, their children, and perhaps even the frame of mind in how they show up at work and how they invest their time.

As I become more aware of different choices, Be Genki becomes more environmentally responsible and more of a means to help inspire holistic happiness and positive change. We're not perfect, as we are in essence a business that sells consumer products, but what we are, is willing to change and step up to the demands of genuine sustainability. **B**FM

Samantha Sargent is a natural skincare expert, distributor of AEOS and founder of Be Genki.

AMAZON'S ARRIVAL INTO AUSTRALIA – THE WINNERS AND LOSERS REVEALED

The imminent arrival of Amazon in Australia will see distinct winners and losers in the local marketplace explains World First's **Ray Ridgeway**.

The 'disruptor' tag has been a business 'buzz' word for quite some time in Australia. From small start-ups to businesses looking for a facelift, all are competing for the coveted disruptor title.

While not a new kid on the block in any sense, the world's largest internet retailer, Amazon, is set to cause the biggest disruption to Australia's eCommerce sector in recent memory. The global giant is rumoured to be coming to our shores shortly and will shake up the retail landscape as we know it.

Most Australians associate Amazon with books and for good reason given that's all they currently sell here. If you want to buy anything else you have to go to Amazon marketplaces such as the US or UK but that's all about to change in a big way.

Reports suggest Amazon will put down permanent roots here in Australia in the imminent future, with insiders speculating the business is currently scoping the country for warehouse spaces and could be adding to their arrangement with Parcelpoint to possibly increase on the added 1000 pickup points they added in December 2015.

When this full-service offering launches in Australia it will open doors for local and international eCommerce merchants, local businesses and individuals to sell to the Australian public.

So let's have a look at some the facts and figures as they stand:

- Amazon boasts 11 marketplaces across North

America, Europe and Asia
- It has more than 300 million active customers who are located in 180 countries
- In 2015 Amazon's network of 125 fulfilment centres delivered more than 1 billion items to customers around the globe

So who are the winners and losers of this potential new market entry?

AUSTRALIAN ONLINE MARKETPLACE SELLERS

Verdict: Very good news

Thousands of people have already realised the potential Amazon can have not only in making money for them, but also in improving their lives. There's no doubt existing local Amazon sellers will be keen to be the first merchants on Amazon Australia to ensure they get first mover's advantage and benefit from the buzz of the new platform before competition increases. These eCommerce sellers also have the experience, products and relationships to really hit the ground running.

INTERNATIONAL ONLINE SELLERS

Verdict: Reasonably good news.

Fulfilment by Amazon (FBA) means online sellers on the other side of the world can ship directly to Amazon's Australian warehouses, often from China. FBA will then take care of warehousing and fulfilment. Australia's population of less than 25 million may be small compared to the larger markets of Europe, the US, the UK or Asia, however it becomes another opportunity for sellers based internationally to tap into a nation of considerable wealth.

Australia possesses a somewhat high propensity to buy online, with 7,630,000 Australians aged 14 and above (almost 40 per cent of the population) buying one or more products via the internet in an average four weeks . The Aussie dollar was also at parity or even valued higher than the US dollar between 2010-2013, which saw many Australians flock to internet retailers in the US and shape our online purchasing habits indefinitely.

AUSTRALIAN RETAILERS

Verdict: Bad news

Large retailers like Harvey Norman and JB HI-FI will no doubt feel the pain of Amazon's arrival. Think about the impact that Uber has had on the taxi industry – Amazon's arrival will similarly shake the foundations of the retail industry in Australia.

While it is early days and nothing has been confirmed by Amazon, some analysts are predicting Amazon could generate up to $4 billion in the Australian retail market, taking a large chunk of the electrical goods market in particular.

This does represent an opportunity for smaller businesses to expand their business online as Amazon is commonly seen as an easy transition into the eCommerce space.

THE LOCAL CONSUMER

Verdict: Great news

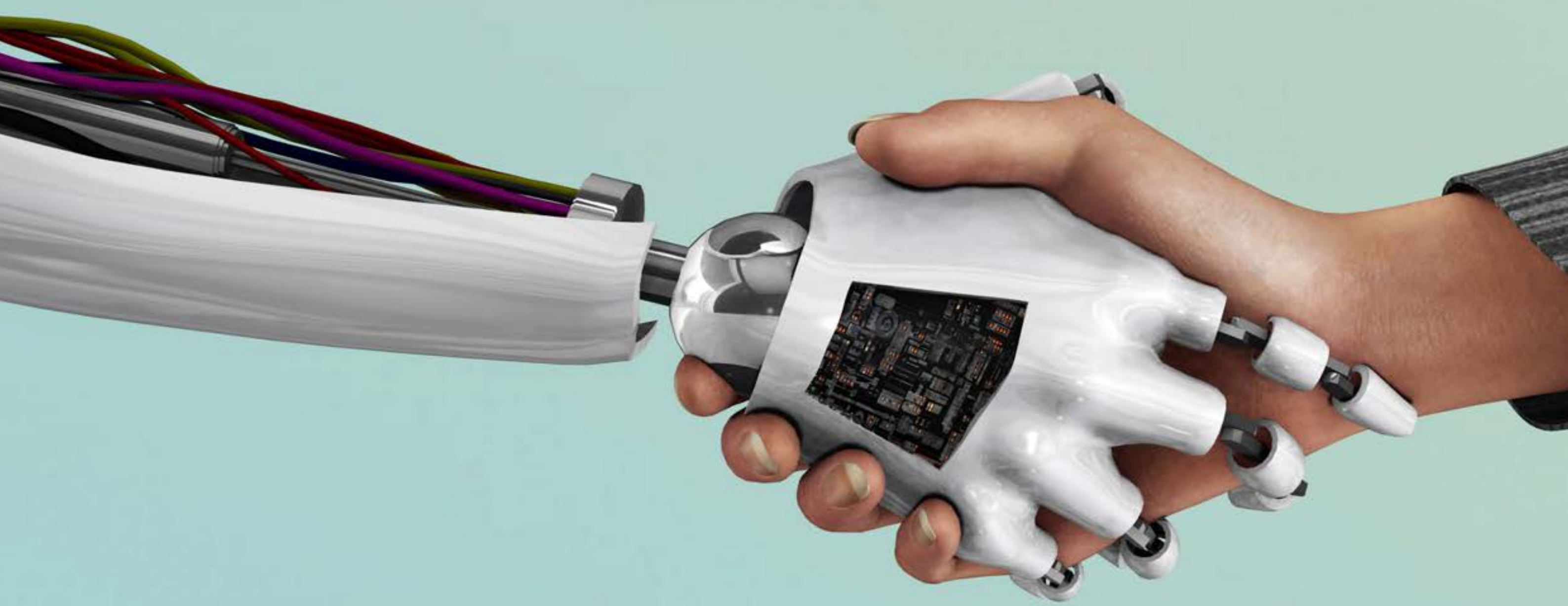
Choice always means better prices and more options. Guaranteed delivery within two days makes this marketplace even more desirable. They even offer streaming services – and who doesn't love a music streaming service? Australians have been taking advantage of marketplaces like eBay for years now, so adapting to Amazon won't be a shock to many local consumers.

FINAL THOUGHTS

At World First we have firsthand experience working closely with Amazon for more than five years. From helping Australians sell on Amazon to bringing their foreign currencies home and advising new sellers, we have seen the inner workings of the world's largest online marketplace. Undoubtedly there are going to be winners and losers from the impending move and it's going to shake up the market more than what we have seen in many years. It's going to be an interesting ride so buckle up and hold on tight!

Final Verdict: hold onto your hats. BFM

IT'S NOT JUST ANOTHER DAY AT THE OFFICE!



This glimpse of the future was crafted by **Ben Gibbs**

We have news for you: it's not just another day at the office. Sure, businesses have always changed as management theory, materials and technology evolves – but never before has the pace of change been as intense.

In the video 'Humans need not apply', the narrator (in this case, a clearly robotic voice) proposed that "Horses aren't unemployed now because they got lazy as a species... they are unemployed because they became unemployable! Many bright, perfectly capable humans will find themselves the new horse – unemployable through no fault of their own!"

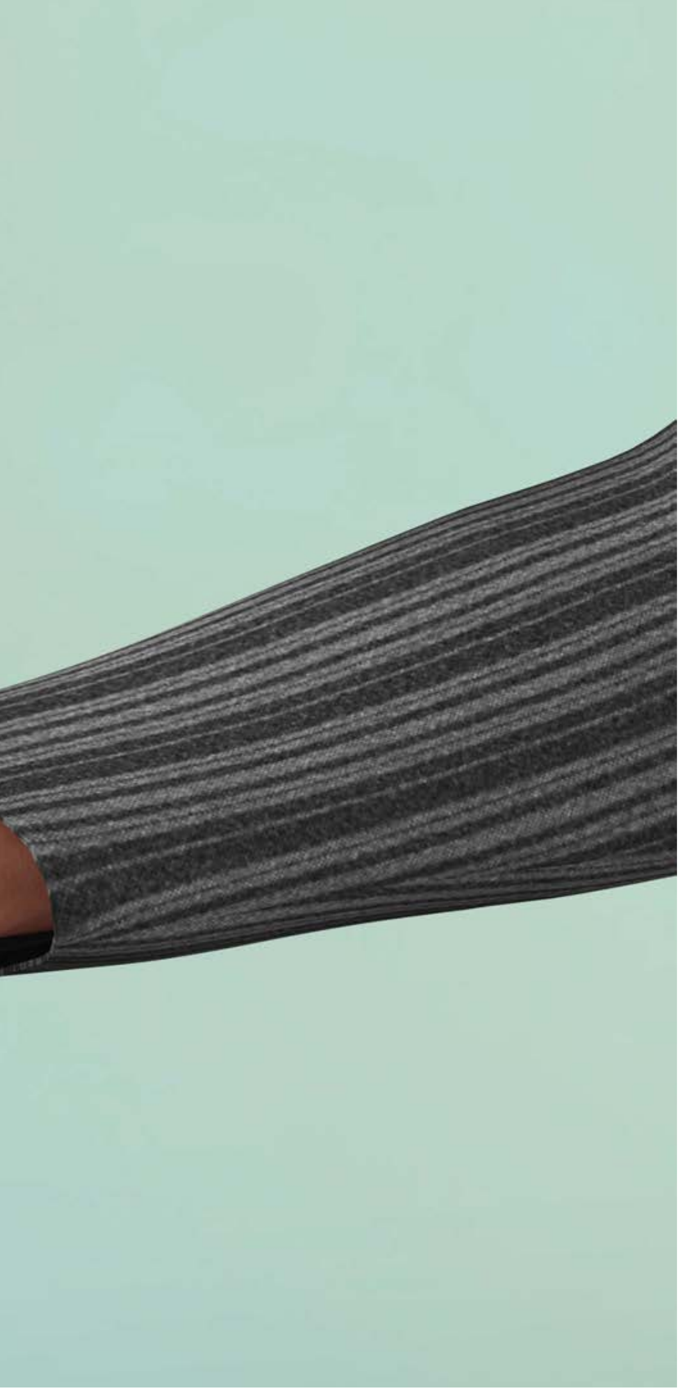
Driven by technological progress and increasing globalisation, the 'information age' will leave no paradigm unturned as it radically disrupts our workplaces and the way we manage them. There's an urgent need for forward-thinking companies to challenge age-old paradigms around both job definition ('what' we do); differentiation ('how' we do things) and hierarchy ('who' does the 'what').

Could changing how we view these today, help us compete tomorrow – and avoid (to as great a degree as is possible) the horse's fate? If the price of doing things the same way becomes much higher than the price of change, how can we adapt to win?

REDEFINITION, NOT REPLACEMENT

Automation is a tool which allows us to produce abundance for little effort. While many studies and articles would have us believe that over the next 30 years, a myriad middle class professions will be outsourced to automation, a recent McKinsey article suggests that "As the automation of physical and knowledge work advances, many jobs will be redefined rather than eliminated – at least in the short term."

According to their research, "Very few occupations will be automated in their entirety in the near or medium term. Rather, certain activities are more likely to be automated, requiring entire business processes to be transformed, and jobs performed by



people to be redefined, much like the bank teller's job was redefined with the advent of ATMs."

According to McKinsey, "fewer than 5 per cent of occupations can be entirely automated using current technology. However, about 60 per cent of occupations could have 30 per cent or more of their constituent activities automated."

In other words, automation is likely to change many great occupations, and our focus should shift from replacement to redefinition.

Rather than assume that automation will primarily affect low-skill, low-wage roles, this suggests that even the highest-paid occupations, including CEO, involve activities that can be automated. As such, there's a need to think less about automating occupations and more about 'redefining roles and processes'.

STAYING AHEAD OF METAL AND CHIP

Directly related to this, is the fact that keeping your game on in future will require an ahistorical amount of creativity and innovative thinking.

We will need to differentiate that which only man can do from that which automation may absorb. Yet, research suggests that creativity and sensing emotions (that which machines cannot closely replicate, yet) constitutes only 4 percent of work activities across the US economy.

While these figures might be cause for alarm, they are also a call to arms. As automation increases, our focus should be on tasks that utilise creativity and emotion.

Financial advisors, for example, might spend less time analysing clients' financial situations, and more time understanding their needs and explaining creative options. Interior designers could spend less time taking measurements, developing illustrations, and ordering materials, and more time developing innovative design concepts based on clients' desires.

BIDDING HIERARCHY ADIEU

Critically, new ways of remaining competitive will also need to influence how we manage. As the advent of digital increases competition, the importance of staying connected to the market and customer needs will increase.

An article by Harvard Business Review ('Hierarchy is overrated') suggests that change requires a level of nimbleness large hierarchies often simply aren't able to provide. It also suggests that flatter structures promote greater levels of innovation.

A case in point? About 20 per cent of the world's websites are run on Automattic's WordPress platform. It's one of the most important internet companies, but only employs a couple of hundred people who all work remotely, with a highly autonomous flat management structure.

Similarly Basecamp, who produce software for distributed collaboration, have a structure which looks a lot like Automattic's.

And this success isn't limited to software companies. Manufacturing company Gore is one of the most successful firms in the world. Across its 10 000 employees, it has only three levels of hierarchy: the CEO (elected democratically), a handful of functional heads, and everyone else.

Shying away from a command-and-control structure, current CEO Terri Kelly says: "It's far better to rely upon a broad base of individuals and leaders who share a common set of values and feel personal ownership for the overall success of the organisation. These responsible and empowered individuals will serve as much better watchdogs than any single, dominant leader or bureaucratic structure."

Yesterday's workplaces are evolving. Jobs will be at risk not because of replacement, but because leadership and management are oblivious of the need to reshape themselves. The businesses that do not reshape themselves and the role definitions of their employees run the risk of being beaten by the ones that do. In the future, companies who respond, restructure and evolve will be those who succeed. BFM

(Aurecon has launched a new futuristic blog! Called Just Imagine, it provides a glimpse into the future for curious readers, exploring ideas that are probable, possible and for the imagination. This post originally appeared on Aurecon's Just Imagine blog.

THROUGH THE LOOKING GLASS

When **Wally Muhieddine** and **Luke Dean** joined forces in 2003 to found Advertising Advantage, it was with one goal in mind: to take a back to basics approach to advertising, and put results above self-serving adland rhetoric. The two advertising veterans spoke with Jonathan Jackson about direct response advertising, and how their business has led them away from agency-focused advertising models.

Wally Muhieddine (L), Managing Partner and Luke Dean (R), Managing Partner

A common line of thinking in today's changing media landscape is that due to the nature of media consumption, audience numbers across traditional streams such as television and print have declined, affecting networks, advertisers and their bottom lines.

The reality, particularly for television, is much different and in fact far more positive. Statistics show that on average, every Australian spends around three hours a day watching TV on a TV set, which still accounts for over 84% of our screen time.

"The ability to create accountable TV advertising campaigns that drive immediate, measurable results."

On the other side of the viewing equation, audiences haven't so much dissipated as they have evolved, watching video content on additional screens; presenting fresh opportunities for brands to expand their reach, through channels such as YouTube, Facebook and catch-up TV.

For agencies such as Advertising Advantage (ADAD), the expansion of broadcast opportunities plays nicely into its direct response business model.

"Right this minute traditional TV audience numbers haven't dropped materially, although we fully expect them to do so," Wally says. "We mustn't forget that traditional TV still has gargantuan reach. In addition, other doors have opened and we can now also engage more people through channels such as YouTube and Facebook."

Luke says, "Different channels have only served to expand the

Luke Dean, Managing Partner

"It's easy for agencies to shout about how good they are, but when asked to put up their own cash to back themselves, they run the other way. What sets us apart is that we get results, offering clients the option to pay only once we have delivered."

definition of television, and the opportunities that represents.

"TV is no longer confined to the big screen in your living room – we now all have a TV in our pocket. Screens are everywhere, and Australians are watching TV in different ways on different devices. Today, messages can be tailored and targeted, providing more opportunities than ever."

ADAD has done well to stay ahead of the trend, and on the back of this has been able to cement its position as one of the most accountable agencies in the country.

From the outset, ADAD's purview was to deliver full value advantage to its clients by going back to basics, by taking risks and delivering a return on investment for the client that wasn't just steeped in ad agency self-obsession.

Both men were disenchanted with the almost narcissistic attitude of ad agencies that put themselves before their clients.

"We saw ourselves as outsiders in an industry that was all about preening, rather than working for the client," Luke says.

So the pair began an agency that was client-centric: that wasn't just about 'selling stuff', but could deliver results based on real data and analytics.

"The reality for many agencies is they are sales organisations who do little for the client. We wanted to turn that around and focus on the client, not the sale," Wally states.

This commitment to client led to the company's rapid growth as they began to turn the fortunes of small companies around.

Then word spread of their commitment and the client base began to grow.

Both men are on the same page when they say their success is directly attributable to their clients, who are looking for a hands-on accountable approach from their account managers.

ADAD's accountability is backed by its ability to deliver measurable results, just a day after a campaign has launched.

"We are focused on return on ad spend, and strategy based on analytics. This takes into account many inputs including audience segmentation, media efficiency and halo uplift, as well as response and conversion rates. We then optimise and scale," Luke says.

ADAD has years of data from which to draw upon detailing consumer behaviour. The company has used this data diligently to deliver successful campaigns for the likes of Citibank, Suncorp, TripAdvisor, Vistaprint, Boohoo, Kogan and a long list of other clients, many of which have stayed the journey.

Such was their success early on, that in 2008 as a sign of confidence in their business model and to build further trust with their clients, the pair instigated Pay For Results TV Advertising.

Pay For Results TV Advertising (also known as Pay Per Lead TV) is 100% performance based TV advertising, meaning clients only pay for the specific advertising outcome they value.

That is the essence of ADAD's accountability.

ADAD works with clients to determine an equitable fee for each desired 'action'. They then invest their own capital into creative, TV production and TV media.

"Our focus on performance is more than mere talk. ADAD puts hundreds of thousands of dollars of its own capital on the line every week, through our Pay For Results TV campaigns. Money we only see again if these campaigns perform," Wally says.

ADAD thus has its own stake in its clients' successes; they are not just an agency partner, but a financial partner as well.

According to the company, this all feeds into "our guiding ethos – that all our advertising must drive a real and measurable business benefit for our clients, and that as an agency we take ownership of outcomes."

It is an ethos that has been built over 15 years in the industry. In that time Wally and Luke have developed an instinctive sense of what measures work for particular clients, and how to back those measures with data.

"We look at our target segment, measure it against audiences in terms of where a campaign would best fit, consider the proposition and look at what the competitors are doing. We then build the creative, applying a proven format that we've honed over many years," Luke says.

With 40 passionate Performance TV experts under one roof including Creatives, Copywriters, Strategists, Data Analysts, TV Media Buyers, TV Editors, CGI Animators, Producers, Call Centre Managers, Ecommerce Experts and Client Service Managers, delivering full-service creative has become second nature.

ADAD's team of 40 has been built from the ground up, with many starting as juniors before moving into more senior positions.

This has been done because, "Our people require a totally unique skillset. It's not an 'off the shelf' recruitable commodity, so we create it. To maintain a full-service culture built on performance requires people that are commercial with a 360 view of marketing, media and consumer behavior. This is critical to our success," Wally says.

The culture has, in fact, been built on one question: How do we get the best results for our clients today?

It is a question that must evolve with the times. It is also one that many of ADAD's peers have asked themselves, (but with little success).

If there is one thing about first-mover companies, it's that they always retain the first-mover advantage, and competitors are merely emulators stranded on a back marker.

Certainly what sets ADAD apart from its competitors is its willingness to back itself.

"Several companies, big and small have tried to replicate what we do, but have either ended up out of business or abandoning the attempt," Wally says.

By meeting its deliverables in a manner that benefits the client in more ways than one, ADAD has built long-term, meaningful partnerships.

"We see ourselves as invested partners, not just an agency supplier," Luke says.

It is certainly a refreshing attitude in what can sometimes be described as a highly cynical industry, but it is what has driven Advertising Advantage to place more direct response TV spots than any other agency in Australia.

Now that kind of success is measurable. BFM

"Advertisers should be able to tie their agency's remuneration, to the successful delivery of predetermined outcomes. We believe this is the true definition of accountability."

Wally Muhieddine, Managing Partner

How to use the Christmas break to plan for a strong 2017

While the Christmas period can be a tough time for businesses, you should use it as a time to refresh, recharge and re-evaluate your finances, writes **Roger Mendelson**

The lead up to the Christmas break is invariably a frantic time for most businesses.

The fear of cash flow problems after the Christmas break compounds the stress, caused by excessive expenses at this time with a decrease in income; large holiday wages, and leave loadings combined with a slowdown in work or business closure which impacts the bottom line.

Following the Christmas break it can be easier to think of life outside business, allowing you to see things a little clearer.

Free from the many issues businesses must face on a daily basis, Christmas is the best time of year to think positively and productively.

Rather than allowing the Christmas break to pass by, you should set yourself goals for the New Year, and return to work positive and reenergised.

TWO LINES OF THOUGHT

There are two areas you should focus on which will have a major impact on the profitability of your business. Firstly look at how you can increase your margins by 10 per cent, and secondly how you could reduce your labour costs by 10 per cent.

Both goals are achievable for all businesses, and successfully implementing them will have a direct and dramatic impact on your profitability.

INCREASING MARGINS BY 10 PER CENT

A major problem faced by businesses is the price sensitive nature of customers. In a crowded marketplace with increased competition, it can be difficult to maintain healthy profit margins. However, there are some simple ideas you can think about to get ahead:

- Provide your B2B customers with extended trading terms. Many, particular smaller businesses, will happily pay higher prices

if they can achieve extended payment terms. For example, rather than requiring payment on delivery or within seven days, extend credit to 60 days. As long as you have proper processes in place, it won't result in an increase in bad debts.

- Play on what is really important to each customer. Price is not the major determinant for most customers, in many cases you will be able to meet their needs without any increase in your own costs. The best way to find out what is important to them is to ask them.
- Package products with additional benefits which have little-to-no cost to you. For example, if providing a product, add an extended warranty or an after-sales advice hotline.
- Nothing beats excellent and responsive customer service. If you consistently provide this, you will be able to charge higher prices than your competitors.
- Focus on convenience to your customers. Most customers will pay a higher price for greater convenience to them.
- Nudge your prices up regularly and by small increments.

REDUCE YOUR LABOUR COSTS BY 10 PER CENT

Wage costs are the largest expense for a business, but reducing them is achievable for almost all businesses. Here are some techniques to consider:

- Introduce job share. Essentially, this means two people carrying out one job, often on the basis of someone doing Mondays and Tuesdays and the job share partner doing Thursday and Fridays, with Wednesdays being switched over each week. Many employees will be more than happy to trade a significantly lower pay rate for the convenience of working a job share role.
- Look to hire employees, or upskill current ones, with skills for multiple roles. You may think that you operate a multi-skilled work force but by honing in on it, you will be able to increase it further. A multi-skilled workforce is far more productive and efficient than the alternative, which ultimately means less people are required.
- Offer part-time opportunities. Talk to all employees and find out who would be happy to switch from full time to part time. You will often find the output from an employee working 10am to 4pm, four days per week is just as high as someone in a full time position.
- Embrace new technology. Continually updating technology is an ongoing process with proven cost-effective results. It allows employees to concentrate on the more important, more interesting areas of their work, ultimately reducing the number of employees needed to complete one job.

Come back to work in January with a one-page action plan and get started. You will be delighted with the results. **B**FM

Roger Mendelson is CEO of Prushka Fast Debt Recovery and principal of Mendelsons National Debt Collection Lawyers. Prushka acts on behalf of 54,000 small to medium size businesses across Australia and has operated for 40 years on a basis of No Recovery, No Charge. Roger is also author of The Ten Mistakes Businesses Make and How to Avoid Them and Business Survival Guide, both published by New Holland Publishers.

Advancing the R&D

The first couple of years of any new business can easily be the toughest, and that only becomes more challenging if you need to outlay money to undertake research and development activities.

To help start-ups get through those early years, the federal government's R&D Tax Incentive program allows technically challenged R&D firms to claim their annual R&D expenses and receive a 43.5% cash reimbursement in the following year through the tax system. As the cash refund may take up to 18 months to claim back "it wasn't hard to work out what these companies want," says R&D Capital Partners (R&DCP) director Gerry Frittmann. "They want money and they want it now – not in 12 or 18 months. They're generally either too early to raise equity or they've raised equity but they're going to run out of money soon."

R&D Capital Partners is the brainchild of Gerry and fellow director Quintin Freeman. The company is joint venture between Gerry's TCF Services and Quintin's Freeman Capital, combining their respective skills and experience to provide cash flow up front to businesses that are looking to engage in the government's research and development program.

"We can provide that cash flow through the R&D tax incentive six, nine or even 12 months earlier, which changes the entire landscape for many new R&D focussed businesses," Gerry explains. "In some cases, it means that a business can get to a revenue position thus negating the need to raise external equity at all."

"In reality, the loan is a working capital facility secured by the government" adds Quintin. "If you're using the additional funds to accelerate your R&D activities, not only are you going to achieve your next R&D milestone earlier but you will also be able to claim an additional 43.5% refund on the increased level of R&D expenditure incurred, thus providing, greater than a 30 -1 return against the costs involved with entering into the loan agreement.

Early stage business is like walking a tightrope, we provide a safety net that can assist through those initial milestones. There's plenty of good reasons why you would use the service." As Gerry notes, there have been many times over the past 25 years in the industry that clients have been approved for a government grant, yet due to the timing of the grant payment were asking him for a mechanism to provide an advance.

"All we've done now is formalise that structure. Through the R&D Tax Incentive we can actually get the refund paid into our trust account so there's a secure position there," he says. "because most of the start-ups don't have any charges from banks we can also take a charge. That's basically the security position we take. If we're happy with the eligibility of the activities and expenditure, the management team, governance and runway, then we're generally happy to provide funding.

"Our security is that we've got a first charge over the company, a PPSR charge on the personal property security register and an irrevocable direction that our trustee bank details go on the tax return so the funds get paid directly back to us from the ATO. That secures our funding which is unique to this sector. There are some complexities when R&D firms already have facilities with the bank and you can't get a first ranked charge."

Gerry and Quintin were pioneers in this new territory. Quintin has some 35 years in the financial sector through investment banking and major accounting firms. Gerry's background as a qualified customs broker and R&D tax consultant providing intimate knowledge of the various government incentives.

At a business level, TCF Services is one of Australia's leading R&D tax consultants with more than 25 years' experience advising corporates on various government assistance programs. Equally, Freeman Capital has some 30 years' experience as a specialist corporate adviser and financier to the SME sector.

As good friends for many years, Gerry and Quintin saw the opportunity to bring their individual skills and the experience of their firms to provide a quality service.

"It's an obvious marriage of the two businesses," says Gerry. "TCF has been going for 25 years and delivered more than $2 billion in grants and assistance. We've got a very experienced staff, we've got a large client base. Then with Quintin's expertise we've got an exceptional banking and accounting background to complement the skills. Putting the two together enabled us to have the required expertise to be able to do what we're doing."

While the concept sounds very simple and clearly useful to relevant start-ups, is there really that much demand for such a service?

"Under the program there's about 15,000 companies claiming," says Gerry. "About 75% of them get the refundable tax offset and then, of those ones, some are in profit so they pay tax and they use the offset to reduce their tax. Of the ones that get a refund from the

'At a business level, TCF Services is one of Australia's leading R&D tax consultants with more than 25 years' experience advising corporates on various government assistance programs.'


Gerry Frittmann, Director, TCF Services


Quintin Freeman, Director, R&D Capital Partners

total annual spend of $3.2 billion, about half of that money would go out in refundable cash which is potentially able to be prepaid.

"Out of that $1.6 billion, not everybody has a cash flow need nor is every potential client a good credit risk. I therefore believe the actual market size for a loan would probably account for about 10% of that money growing to up to $200 million a year."

Although the finance is based on government money, there is still a large amount of due diligence undertaken by R&DCP when assessing a new client. R&DCP's sister company TCF Services conducts this process and provides a sign-off letter to R&DCP stating that its undertaken a review and used its best endeavours to confirm the client's eligibility to the program and ability to remain a going concern until such time it repays the loan from the ATO cash receipt.

"We want to ensure that the business has other financial resources to make sure that it stays alive," adds Quintin. "We're still lending the company money. We need to act as responsible lenders to check that they've got the capability to repay that loan. We do check on their corporate governance and just the general culture of the organisations to be comfortable that we're backing the right horse".

In this sense, Gerry says that they are there to "compliment equity, not to be equity. We don't do subjective equity valuations or require complex shareholders' agreements". They have also rejected loan applications from R&D companies who have tried to use R&DCP as a last resort lender, as they don't want to be in a position where they are trying to get a benefit back through an administrator.

While R&DCP may only have been around for three years, it already has several excellent success stories, having written over 45 loans ranging from $50,000 and up to $3 million in loan size. The likes of zipMoney, Botanical Innovations and Truscreen have all achieved great success after utilising Gerry and Quintin's service.

In the case of Truscreen, creators of a cervical cancer medical device, the company borrowed funds from R&DCP as a bridge to ensure that any equity raising occurred after receiving China Food and Drug Administration approval thus reducing the need to further dilute existing shareholders, its share price went up 50%, enabling them to raise $5 million in fresh equity – something that would not have been possible earlier.

Success stories such as these add to the growth of R&DCP. As Quintin notes, the first couple of years were dedicated to "funding the internal clients of TCF Services to test the service and processes"; however, in the last 12 months they have been able to branch out using external R&D consultants.

"We employ our own staff and we're interfacing with the other R&D consulting community very successfully," Quintin says. "We're very keen to look at clients advised by other R&D consultants. We need to ensure that the required disciplines and procedures are in place."

The service provided by R&DCP is undoubtedly positive to those start-ups looking for advanced cash flow, however the full implications could be far greater. Australia has a proud history in innovation, invention, and research and development, yet is often let down by the venture capital sector. Such an approach is putting control back in the hands of those who deserve it. A positive marriage of skills for everyone. BFM


David Tonkin, Director, TCF Services

The new financial metrics of the Subscription Economy

By **John Kearney**, Managing Director, APAC at Zuora

In a wide range of industries traditional business models are being turned on their heads, largely by consumers either participating in the sharing economy or choosing outcomes over assets.

In response, companies are seeking new ways and new business models that put their now savvy customers at the centre. Businesses are moving from a world where products are built, shipped and sold to consumers on a one-off basis, to one where they deliver products and services to subscribers on a continuous basis; monetising a dedicated base of customers for predictable recurring revenue.

In the Subscription Economy, CFOs own the new business model. CEOs and board members are demanding from their finance departments more than just balance sheets and income statements. There are fresh financial imperatives around owning the relationship with the subscriber that have resulted in a whole new class of metrics, and with it, a whole new slew of acronyms: ACV, ARR, MRR, Churn, GEI, and the like.

Making the shift to a subscription-based business model can wreak havoc on finance departments that are not prepared because every accounting system used today, including ERP, were built to ship products and manage one time charges. So what are the new metrics that modern CFOs can't ignore, why are they important to ensuring success in the Subscription Economy, and how do they help finance departments lead the charge?

RETENTION RATE

The highest level metric for any business is Annual Recurring Revenue (ARR) – a forward looking number that tracks the amount of revenue businesses have, and expect to repeat. The threat to ARR is churn, which simply refers to the proportion of subscribers that leave a business each year, usually expressed as a percentage. To prevent churn, businesses must increase their retention rate.

In a subscription business, retention rate is the most important metric. A lot of money is spent acquiring, then retaining customers so it makes sense that if businesses do not have visibility into how many customers they are retaining versus losing, chances are this spend will not be invested in the right place.

But, at the same time, don't dismiss the one-time charges. Understanding this can make or break a business. Consider if your business is a Software-as-a-service (SaaS) business with a professional services component that charges per instance, or if it's a hardware company. Businesses must understand the margin on a one-time charge to ensure it does not become a burn on the business.

GROWTH EFFICIENCY INDEX

Growth efficiency index (GEI) is a metric on how much businesses are spending in acquiring customers. Simply put, it is a ratio that shows how much new recurring revenue the company earns within a given investment in sales and marketing over any new annual contract value (ACV).

RECURRING PROFIT MARGIN

Recurring profit margin is a standout for this new subscription business model. It measures the difference between a business' recurring revenues and recurring costs, such as cost of goods sold (COGS) or general and administrative expenses (G&A). This metric helps businesses answer critical questions like, 'How do we know when we are running a profitable business?' and 'When do you know your acquisition cost along with the efficiency of that acquisition?'. It helps guide businesses towards choosing to either book profits or invest in one-time growth expenses.

For those CFOs that start focusing on the subscription billing process, you quickly get a read on what is going on with your customers and how they are interacting with your service. This serves as a helpful tool in better serving customers and providing what they actually want (and are willing to pay for). When financial information, like a customer bill, is married with customer usage information that is the sweet spot companies look for to build engaging and long lasting relationships with users. These combined analytics give you deep insight into revenue and customer loyalty.

The critical step for CFO's and finance departments is to combine those insights, customer relationships and a recurring revenue model that brings the organisation closer to its customers in this ever-expanding Subscription Economy. BFM

John Kearney is APAC Managing Director at Zuora responsible for business development and revenue growth across Australia and New Zealand as well as reinforcing Zuora's position at the heart of the subscription economy.

Embracing change is part of their DNA

With some 78 years' operational experience, **WDScott** is a well-known name in Australian management consulting. Working with organisations in services, education, government, utilities and more, it has an excellent reputation for being able to deliver a meaningful difference to a diverse range of industries.

This capability and capacity has recently grown due to a merger with Coriolis and Mosaic Advisory and Capital – providing a new mix of partners, core personnel, SMEs, and contract delivery representatives.

WDScott partner, Brendan Tangney, has personal experience in the benefits of such mergers, joining the company through an acquisition.

"I'm a qualified electrical engineer," says Brendan, "with many years working for large, global engineering and management consultancy firms. I always had a desire to someday work as part of a small, start-up organisation, focused on developing and delivering innovative products and services for clients. My chance came when I was approached by ex-colleagues, who had set up a company called Distinct Consulting back in my homeland of Ireland, to help them build a consultancy business focussed on introducing novel business intelligence and analytics services into the UK/I marketplace.

"Distinct Consulting was subsequently acquired by WDScott, with the CEO asking me to move to Sydney to head up the practice there, and start up a new offering in business intelligence and analytics. I'm glad to say that it's been a successful four years for both me and my family and the company."

Similarly, fellow partner David Leaney found his way to WDScott through the acquisition of small consultancy firm Clear Lead. Like Brendan, David has a background in engineering, before undertaking an MBA for a more rounded management consultancy skillset.

"Clear Lead was acquired by WDScott in late 2007, and so I came in via that acquisition and went from the CEO of Clear Lead to one of the partners at WDScott," he explains. "My Canberra presence and my government and public sector focus was a natural match to then head up that part of the business for WDScott."

While smart acquisitions help grow a business, longevity of

Brendan Tangney, WDScott partner


David Leaney, WDScott partner

almost 80 years requires a solid track record of performance. WDScott may have started as a family consultancy business, but has since overseen some significant projects; such as the rolling out of decimal currency in Australia in 1966.

"I think that the longevity in the business comes from improving other people's business," says David. "That means that what we're about is giving advice to help others improve. We have a strong focus on business process but also on enabling and implementing that improvement."

The core focus of David's role is with the public sector at a national, state and territory level.

"From a functional perspective, I also run the business development function within the firm," he explains. "I've had experience with some 30 different government departments and agencies at different levels which has given me a breadth of experience where I can provide advice and assistance to government clients."

Conversely, Brendan's functional role is in business intelligence and analytics, with a core focus on the private sector in the Melbourne, Sydney and Brisbane markets.

"I spent 10 years delivering large, complex systems integration projects in UK/I. This has provided me with a solid grounding in how to bring the people, process, technology and change management strands of a complex program together. Since joining WDScott the focus has been more on how to deliver significant benefits for clients leveraging what they already have, rather than through large-scale investment in IT. " he says. "I think I'm now able to bring the two worlds of strategy and real world implementation experience of what works with change programs and, importantly, what doesn't work. I'm able to provide clients with practical advice on how best to move forward on a trajectory towards operational excellence."

With the recent merger with UK consulting firm Coriolis and Australian investment and advisory firm Mosaic Advisory and Capital, WDScott has extended its proficiency and scope.

"It gives us a combination of additional capacity and capability," says David. "It extends some of the key expertise and people. If we take Coriolis, for example, they're very strong in the agribusiness and food sector. They do a lot of supply chain work and process improvement work in that sector, so it's a natural extension into

"Clear Lead was acquired by WDScott in late 2007, and so I came in via that acquisition and went from the CEO of Clear Lead to one of the partners at WDScott."

that sector using similar skills. When you then look at the boost it's provided at a board level with a whole range of new connections and experience via chairman Phil Cormie, the organisation is significantly stronger for the move and able to offer more to clients."

"It's also creates an infusion of new ideas," adds Brendan. "It has exposed everyone to new ways of thinking and introduced us to new colleagues across different offices around the world. It all contributes to making WDScott a more interesting place for everybody to work in, which leads to engaged consultants and better services for our clients."

While new ideas and thinking is always important, WDScott remains true to its original philosophies. David notes that while the organisation was

undertaking a revamp of their website a couple of years ago, they came across an internal publication from 1959 called 21 Years of Management Consulting which listed the core principles and values of the time. Everyone in the organisation was pleased to see that they were just as valid today as they were when written, and so a decision was made to proudly display them on the website.

At the heart of WDScott's operation is three offerings: strategy and operation design; process excellence; and business intelligence and analytics.

"It's a combination of purpose, operations, and process," says David. "We then look to implement through people and this is underpinned by the insights from information and data. That is what drives a lot of what we do."

"I think our clients would definitely see us as specialists or niche consultants," adds Brendan. "We differentiate ourselves by making sure that everybody on the team has a blend of both technical and business skillsets. For example, if you're asking WDScott for help with data insights, you know you're going to get a specialist who has advanced data analytical skills, but equally, strong business acumen to help identify the metrics that really matter in supporting your business challenges. I think that's one of the ways that we're differentiated. People call on us to help with a business challenge rather than just asking us to fill a resourcing gap within their organisation."


Brendan Tangney, WDScott partner

"WDScott has a remarkable ability to attract the right calibre of people who are comfortable in dealing in ambiguity and change but also seek to add value, and assist clients through a journey."

The other advantage of mergers, and the experience gained, is the ability to remain adaptive and flexible. As David says, consulting is becoming more selective and customer driven, which creates its own disruption.

"We have to learn to adjust to that as well," he says. "I think people are wanting more than just the one-man band contractor. They're wanting some depth, capacity, and extended capability."


David Leaney, WDScott partner

Of course, this doesn't just occur just by absorbing staff from other organisations. Brendan notes that WDScott has a remarkable ability to attract the right calibre of people who are comfortable in dealing in ambiguity and change but also seek to add value, and assist clients through a journey. They look for people who are cross-skilled with independent capabilities and character.

Equally, WDScott holds high value in investing in its staff, putting a focus on development with a healthy dose of work/life balance.

"I guess we have recruited people who share similar values to our founder, Sir Walter," says Brendan. "We want people who buy into it and stay a long time and commit substantially to our firm. In return, we want to provide them with an interesting place to work, dealing with really substantial business challenges that provide high impact results for our clients and society in general. It's all part of the story, I think."

With an adaptive mindset that treats acquisitions as a positive opportunity, yet a commitment to fundamental philosophies from decades ago and the personalised approach of a boutique firm, the WDScott story has many more pages. BFM

EIGHT PATHWAYS FOR CEOS SEEKING BUSINESS SUCCESS IN 2017

In a time where seemingly rock-solid corporations are undertaken in a heartbeat by overnight sensations with barely a balance sheet to speak of, where are the good bets for 2017? For the current market titans, how do you remain on top? Or for those on the way up, how do you unseat the 900-pound gorillas above?

Read on to see which resolutions you might request from your leadership team in the New Year:

1. Embrace machine learning
In recent times, computing has made an important breakthrough, but very little of it is yet visible. The change is that computers can program themselves. Simply, they can learn to learn. Leveraging the teeming masses of data now available to companies, they can iterate as quickly as they can get information. That means continuously improving a 'million-million' times faster than a human can.

If you haven't embraced machine learning, your rate of business improvement and your ability to fine-tune everything from supply chain to marketing, will be a 'million-million' times slower than the competitor who has. Do you really want that?

2. Digitise comprehensively
Very few companies have digitised end-to-end. Remember that 'million million times faster' point above? Well, that gets quickly ruined when you interrupt a digital process with an analog one (i.e. human intervention). That not only slows things down, it reduces accuracy and the potency of your data mining.

So, hands off. Find how to get from inputs to customers and into revenue collection through an entirely digital pathway. Then watch productivity increase exponentially and mine that data like crazy.

3. Choose from a dozen other technology advantages
There are so many stocking fillers for 2017. Distributed ledgers, mesh app and service architecture (MASA), conversational systems, digital twins, natural language processing, augmented reality or software-defined everything. Think about how any of these could be relevant to your business.

It's not so much about the technology, it's about how it could enable something that was once impossible. What's that thing you always dreamed of offering customers? Maybe it's possible.

4. Own the platform
Something big is happening in market dynamics. We know that the likes of Facebook, Airbnb, Uber, Alibaba, Google and Tripadvisor have done exceptionally well without much in the way of capital or physical assets. But what does it tell us about the changing landscape and how can you take advantage of it?

The ideal of 'perfect competition' happens when there are absolutely no restraints on how buyers and sellers come together. That's what social media has enabled. Uber beats waiting at a rank because they've made it possible for all the buyers and all the sellers to make the best deal. They just own the best part: the platform on which it happens.

So how can you do the same? Break any existing oligopoly by allowing all the buyers and sellers to make their own deal, through your medium. If you can, you're on a winner.

5. Innovate business models
If you can't own the platform (or even if you can), how can you create, deliver or capture value in a new way? The age of disruption is, more than anything, the age of business model innovation. It's not so much about inventing the new toaster or camera, it's about changing the rules of engagement. From 'freemium' to 'clicks and mortar' and 'Blockchain', that's where a lot of new business advantage is coming from. If you've got 'old' products but a new business model that works economically for customers, you could have a game-changer.

6. Unlock your company's human potential
Human beings are very poor imitations of computers. Not only is our computational speed

glacial by comparison, but our cognitive biases mean that our logical reasoning is far worse than we think it is. We are great at other things. We have almost limitless capacity for collaboration, creativity and inspiration. Except we put barriers in the way.

Research indicates that on the average day, employees give around 30% of what they are capable of to the organisation. Putting that another way, around 70% of the salary they are paid is wasted. Why don't we get the other 70%? Because employees only give that when they feel high levels of autonomy, purpose and a sense that they are doing what they are good at and passionate about.

Just think for a moment if your company got closer to 100% of that potential. Your people would come up with those machine learning and digitisation solutions you want. You would be number one in your market. Those thirty-per-center companies wouldn't stand a chance – how could they?

7. Invest in leadership

Look at a typical corporate dashboard. What does it measure? EBITDA, CAGR, EPS, market share, NPS. Maybe some organisational metrics such as retention or engagement. Now read the last 100 Harvard Business Review articles on high-performing organisations. What do they point to as the number causal characteristic of such companies? Their leadership.

If you really want to succeed in 2017, the smartest thing to do is improve the quality and effectiveness of your company's leadership and to measure your progress with the same regularity, attentiveness and rigour that you measure your financials.

8. Re-design the organisation

No, I don't mean restructure. And I don't mean business process engineering. I mean fundamentally re-imagine your organisation so that it can take advantage of the first seven opportunities.

What does that require? Reduce layers. Reduce bureaucracy. Get rid of things that might have seemed important or necessary in 2010 but can now be obviated completely.

Take away lots of rules. Provide 100% flexible working conditions. Stop micro-managing. Make the required results clear so you can manage on those instead.

Remove competition between individuals or areas of the company. Eliminate incentive programs which motivate bad behaviours. Stop rating people on scales that don't reflect the results you actually want from them.

Don't frustrate or irritate your best people. Get clearer on who your best people are.

Make your company more agile. Question whether all those fixed costs couldn't be variable instead.

Simplify. Simplify. Simplify. Work out the two or three things you need to be world class at to succeed. Focus on those. Become world class at them.

That's the best resolution of all. An organisation that's friction free so that you can take advantage of all those other opportunities. BFM

Anthony Mitchell is Chairman of strategic leadership advisors Bendelta. He's also Chairman of the Aurora Education Foundation, which provides accelerated education opportunities for high potential Indigenous students and Chairman of Amnesty International Australia from 2011-16.

DRIVING STRATEGY THROUGH CUSTOMERS

While any business with a service element will say that its customers are their most important consideration, very few take the time to understand their customer experience as a means to inform business strategy.

CXCO was established in 2010 as a strategic innovation and customer experience consultancy. By creating customer centred experiences, CXCO informs business strategy, increases customer advocacy, and affects employee engagement.

Managing director of CXCO, Aine O'Mahony has worked in human centred design for 20 years, working with a wide variety of organisations in consulting and external engagement.

When she started CXCO, Aine saw an opportunity to deliver high value outcomes for businesses using human behaviour as the key source of insight. This insight is delivered through three main services: business and customer strategy; experience design and innovation; and organisational engagement. A feature of the CXCO way of working, compared to other strategy design and innovation firms, is the rigorous evidence-based approach they bring to these services.

"We follow a design thinking methodology that is founded within the discipline of human centred design, considering the context and interactions of the relationship we are studying. Through this we gain a deep understanding of drivers and needs at key points of interaction, and surface opportunities for growth and differentiation." says Aine.

"From this insight, we create decision-making tools to be used to inform collaborative, objective and strategic decision making within the organisation."

Aine notes that building a customer centred organisation

Aine O'Mahony, Managing Director of CXCO

Aine and the CXCO team preparing for a client journey workshop

can take years of focused effort, and so her team takes a thorough approach to assessment and measurement to help expedite the transition.

"We like to help the organisation understand their customer centred maturity, and from this decide how far they want to go to achieve their vision. We've built a maturity model that we use with executive teams that look at the organisation across four key areas, covering 12 capability dimensions. It's a powerful way to look at your value creation system," she adds.

"From this assessment our clients are in a position to plan and scope what they need to do to build the required capability. Through collaborative workshops with the executive team, we define the key strategic relationships the organisation engages with, this may be the end customer; but it could just as likely be partners or intermediary relationships that help the organisation create value."

Once CXCO has identified the high-value relationships and clarified the business appetite for change, they are then in a position to recommend a roadmap of activities, that starts with gathering insight or leveraging existing high quality insights.

"In the absence of meaningful insight within the organisation, we'll go out and gather information from those relationships and establish how they're interacting with the organisation; including what they need, what they expect, and what the opportunities are to deliver increased value."

Aine and CXCO then brings the insight back to the organisation to inform the creation of a customer led strategy - a "future-focused vision" - for the organisation.

"We create outside-in strategy where we observe, inquire, and interpret to find meaning and uncover unarticulated opportunities."

"What is required for a customer led strategy to be successful is a an internal operating model that aligns to and supports delivery of the strategy. CXCO takes a close look inside the organisation to understand systemic root cause issue across people, process and systems, and how they inhibit value creation."

In essence, Aine says that by looking outside and then inside the organisation, we gain a holistic understanding of the value creation system, and from here are able to identify opportunities to increase value and develop an organisations' customer centred maturity.

While the philosophy of being customer centred may sound straightforward, many organisations fail to deliver on their intentions. As Aine says, "Unless the business is a start up, many will have legacy systems, entrenched ways of working, and a culture that may not be supportive of creating outside-in strategy."

In some cases, a business may be struggling to adapt to the change of pace in its industry. "Some organisations look at transformation and think it's updating an IT system or changing a backend process, yet the creation of high-value services requires more than a myopic focus on a system or process."

Equally, Aine highlights how many organisations operate in silos, focusing on their own function and failing to see the impact of their decisions on the end-to-end customer experience.

"The organisation needs to look at itself holistically and focus on the systemic issues that require behavioural change in order to deliver value for their customers and solve their customer's problems."

Helping an organisation

CXCO is a strategy design and customer experience consultancy. We work with organisations to accelerate results, build capabilities and increase customer advocacy.

We fulfil these goals by developing and implementing outside-in strategy with our clients. Our strategy designs are built on understanding your customers and creating value for your most strategic relationships. We work across industries with organisations that aspire to innovate, grow or create value for their clients. Together, we solve complex problems by understanding system root-causes and the interplay with human behaviour.

We offer consulting, coaching and advisory across the following:

- Business and Experience strategy
- Strategic design and innovation
- Organisational engagement and capability building

Contact us on:

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A strategic innovation and customer experience consultancy understand this – and then work with them to address issues – is the basis of CXCO's services. Citing a real case study, Aine explains the process she worked through for a client in the business-to-business environment, helping it deliver a customer focused service.

"This particular business had got to a position where customer and employee engagement was low, feedback was poor, and their customer did not feel valued or supported," she explains. "A culture had been created where teams were quite dismissive and critical of the customer."

"We started with an intensive business discover activity. We spoke with about 100 people across the organisation, including the executive team through to front-line service teams. We ran interviews and collaborative workshops to understand their point of view on the service they offered, and what they knew about their customer. From there we went out to understand the customer experience and how they were interacting with the business, and what key opportunities was presented from there."

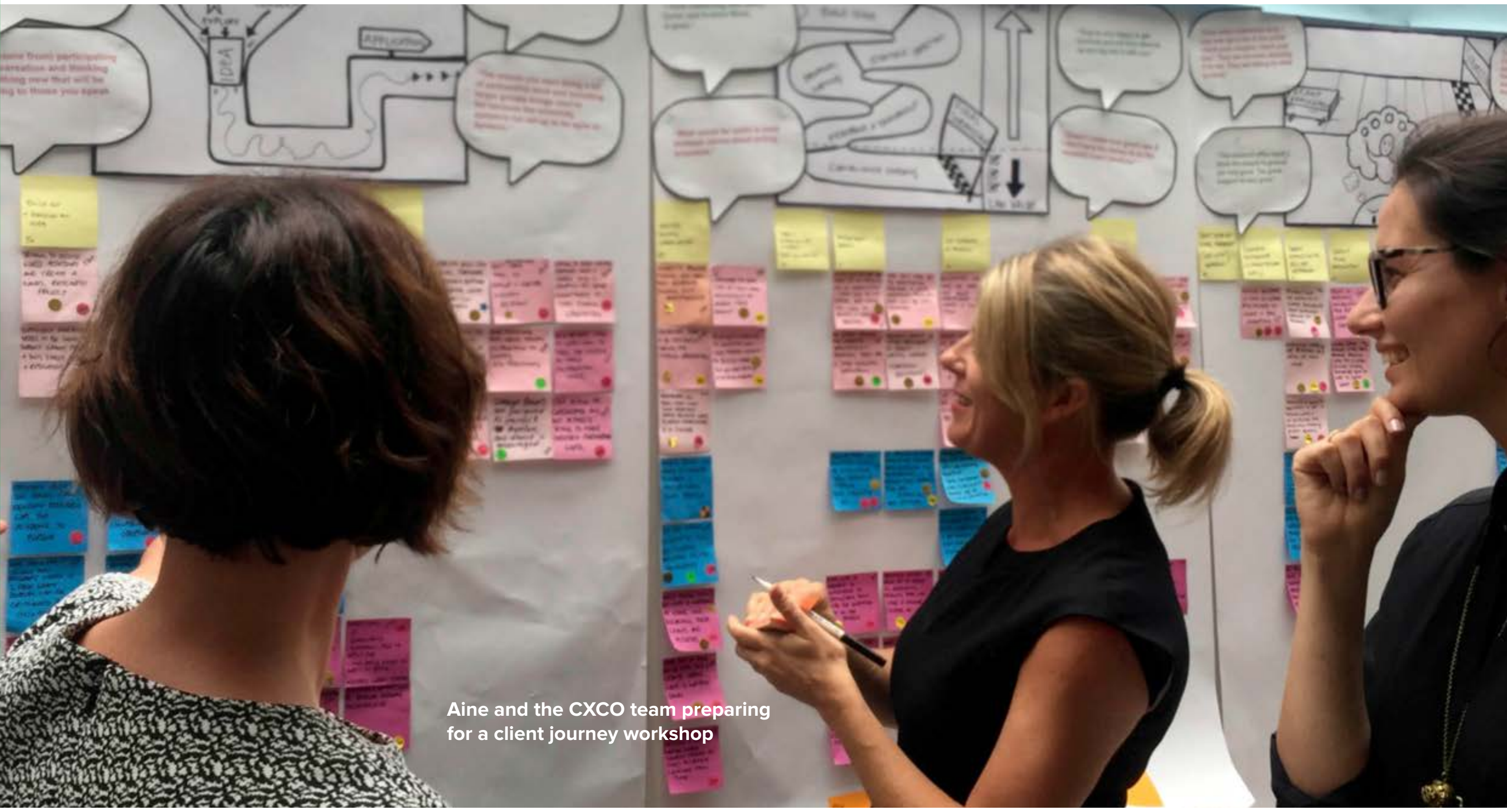
Success comes when the organisation reaches a stage where they shift from being inwardly focused and expert-led, to one that is outwardly focused and uses behavioural insight to inform strategic decisions. CXCO enables this outward focus through insight and tools that help organisations see the impact of their decisions, build empathy and increase the desire for change.

"We take great pride in the decision-making tools we create. They are visual and clearly articulate the insight or strategy, enabling people at all levels of the organisation to engage and understand the customer's experience, the vision, and the opportunities to increase value."

"We articulate the customer need and experience through behavioural profiles, experience journey maps, decision funnels, design principles and service blueprints. From there we collaboratively design the future state experience with the customer and business, and articulate the experience through a Vision on a page and supporting scenarios and conceptual designs. We then test concepts and prototypes with customers and the business to de-risk investment decisions and ensure solutions deliver high-value to customers and the business."

The success of their work has fed CXCO's growth. It is a business built on networks with successful clients leading to new business from like-minded organisations. While this organic growth has been positive, Aine believes the time is right to be more proactive in their approach. With a good portfolio of successful outcomes, she believes that CXCO is in a prime position to look at growth throughout Australia and even into Asia and parts of Europe.

"I'm really proud to have got the business started and to be keeping the doors open while remaining true to our initial objectives," says Aine. "We have a great team of really smart and passionate people that enjoy making a tangible difference to our clients. It's a great challenge and requires us to constantly learn and evolve what we do; positioning us to solve more complex problems and apply our thinking to a range of organisations and decision-making contexts." BFM



Aine and the CXCO team preparing for a client journey workshop

How do you attract and retain customers in a world where they're writing the rules?

In today's competitive global market, good customer experience isn't enough. From one industry to another, customers are demanding the 'wow' factor. They expect to be able to deal with organisations at any time, moving seamlessly between different channels, and they expect to encounter great customer experience at every point along the way.

So how do you gain customers' trust and loyalty in an environment where they are writing the rules? The first step is to place them at the centre of your organisation, where they belong. A sustainable corporate culture depends on listening to your customers and those who engage with them. This isn't a once-off program where you can tick the box and move on, but a seismic shift in organisational thinking.

BACK IN THE DAY

When I started working in the exciting area of Customer Experience (CX), the phone and face-to-face channels overwhelmingly dominated customers' engagement with large organisations. Staff in contact centres handled queries in specialised workplaces where customers communicated almost exclusively over the phone, sometimes supplemented by faxes (remember them?).

Email was a relatively new channel. Customers were keen to use it, but it was time-consuming to administer. At first, unanswered emails simply piled up in staff members' inboxes, and customers' email communications were lost. The situation improved after email management systems became readily available, allowing staff to deal with the most common enquiries from a prepared script, forward more complex enquiries to the best-skilled consultants, and record email exchanges in a customer relationship management (CRM) system.

Now, contact centres have evolved to offer a wider menu of communication channels. Although many customers still rely on contact by phone, a growing number prefer to use other channels, or at least begin in them. They will use search engines to locate suppliers and follow them up on the Internet,

make enquiries through online chat or post questions and comments on social media. There is also much stronger demand for information to be incorporated into apps that can be accessed on mobile phones and tablets.

SO HOW DO YOU ATTRACT AND RETAIN CUSTOMERS IN THIS TECHNOLOGICAL AGE?

The simple answer is that you develop a comprehensive, proactive CX strategy that incorporates an omnichannel strategy providing a seamless customer experience across multiple channels and touchpoints. A robust CX strategy will help your organisation understand:

- who your customers are
- the journeys they undertake when they interact with your company
- the customer channels and touchpoints customers leverage to interact with your organisation
- who is responsible for designing that experience, and how others in the business can play a part
- what success looks like, and how it can be measured.

A robust CX strategy will enable your organisation to achieve:

- greater customer satisfaction, trust and loyalty
- lower customer churn and better retention
- higher referral rates and easier customer acquisition
- greater employee satisfaction
- competitive advantage, leading to higher revenue and growth.

When a CX strategy is achieving its objectives, customer experience will be transformed, allowing a point of differentiation.

CUSTOMER JOURNEY MAPPING IS KEY

One invaluable tool in developing CX strategy, which I've introduced successfully in a number of Australian household name companies, is customer journey mapping. It is a key input into service design. It's especially useful when organisations want to provide a seamless, low-effort experience for customers across all contact channels, because it provides a consistent point of view from which to watch complex interactions unfold.

Put simply, customer journey mapping allows you to see your organisation through your customers' eyes. The idea of a customer journey map is that it traces how customers interact with an organisation, providing a view from their perspective. Creating it encourages people inside the organisation to put themselves in their customers' shoes and trace the stages through which customers pass as they interact with the organisation. It also maps their sentiment at each of these stages. Empathising with a different person's perspective helps see the organisation's processes from another person's point of view and observe where they are out of kilter with customers' needs.

Remember that when customers are dealing with your organisation, they aren't aware of its internal processes, silos and communications. They only know what they can see and hear from outside, and that's what affects their emotional state and their opinion of your organisation. Following customers through their dealings with your organisation and understanding what they are going through helps to suggest where the organisation should focus its attention if it wants to make the experience better.

There's no set template for a journey map, but the central thread that holds it together is the series of steps customers take when they purposefully interact with an organisation to satisfy their wants or needs. The customer whose interactions are being followed is a human being who is constantly thinking, feeling and acting, and all these dimensions should play a part in mapping their contact as it unfolds over time. The steps they take will vary with the activity, though many interactions have common stages determined by the transaction itself. I include an entire chapter on journey mapping and a sample journey map in my new book *Good to Great CX*, which shows you how to assemble a journey may for your own organisation.

TESTING AND MEASURING

When you have mapped your customers' experience, you can't sit back and relax, you have to implement the CX strategy and measure its success. This is where what I call 'CX Metrics' comes into play. Measures can include:

- Customer satisfaction (CSAT)
- Customer loyalty
- Customer ease scores
- Customer retention levels
- Staff performance in rolling out the strategy
- Financial metrics – your bottom line.

I have been working in customer experience for almost 20 years. In *Good to Great CX*, I offer practical advice, case studies and templates to give you a head start in designing, implementing and sustaining a 'wow' customer experience. My 'how-to' approach leverages industry data and insights to help you build new approaches that will transform your organisation's CX from good to great. BFM

Isabella Villani is founder and CEO of Exceed Global. She is recognised as being at the forefront of the expanding field of CX in Australia. Good to Great CX is available from all good bookstores and online. To purchase a copy signed by the author, visit: http://www.goodtogreatcx.com/

Stan Zets, CEO, Optivance 360

OPTIVANCE 360:
Taking a Holistic Approach

When **Stan Zets** retired from his role as chief executive officer of consulting group Expense Reduction Analysts (ERA) in 2008, he quickly found himself considering his future.

In only seven years he had grown ERA to more than 25 countries, deploying more than 700 partners, but once he retired there seemed to be something missing in his life.

"I'd spent my life flying from country to country and so I took a year off but I felt unfulfilled"

That's when Stan decided he needed to look at people in similar situations to the one he was currently facing.

"At that time, I was in my mid-50s with plenty of years ahead; however I was looking at how to remain relevant for 20 or 30 years going forward. "

"This is a new age. Statistically, we are living longer, so I thought that it would be good to find like-minded people and create a collegiate environment where we would have a broad-based consultancy that would deploy individuals of C-level or senior professional status, all of whom would have more than 20 years of practical experience."

At this point, Stan, who is a Chartered Accountant by profession, was introduced to Alan Kaplan.

Alan holds a PhD in marketing, and the two developed a business strategy for a new consultancy called Optivance 360.

"Optivance promotes optimal, sustainable solutions, and 360 refers to the 360 degree, holistic approach we take," Stan says. "It's very important to be able to get a comprehensive understanding of the organisation and its needs. To be able to do that, you need people with both experience and backgrounds in a lot of different types of areas so that the assessment and evaluation of client needs can be properly undertaken."

"That's how we see ourselves, as a group of highly skilled and experienced individuals from different backgrounds that work together in a collegiate environment, and we leverage our skills to attain optimal outcomes for clients."

As Stan notes, the two men offer complementary skills which, combined with extensive experience, enables them to view and analyse a business from all angles. With the combined experience of all their members, Optivance 360 offers far more than just textbook advice.

"Alan is very creative, and an excellent communicator," Stan says. "He combines academic theory and practical reality with a creative perspective. Conversely, I am heavily focused on risk and risk management. When we compare our respective vision and opinions on a matter, we actually look for the most optimal and sustainable solution. We don't compete with one another. We actually influence one another. We are opposites, like yin and yang."

This is particularly important, as many businesses are so involved in their own industry or operations that they can't review their strategy honestly or holistically. In Stan's experience, many businesses miss growth opportunities because they focus on areas that they believe are important, but fail to know and address the most crucial needs of their target market.

"So often, businesses are not properly focused on their strategy and planning. Even when they actually get to that point, the ability to implement becomes a key issue. These are businesses that often lack key resources, such as insufficient capital, or skills."

In this sense, Optivance 360 is very much focused on growth opportunities, and actively involved in three key areas, i.e. financial strategy and management, branding and marketing solutions and franchising solutions.

In addition to Stan and Alan, the experience and skills of Irvin Gordon (CA) and Alan Branch (LLB and respected franchise expert) add considerable expertise to the team's financial management, franchise and legal capabilities, respectively, and add immense value to its clients.

Asked about his company's most memorable achievements, assisting Qantas Loyalty to model and monetise its Aquire program, and successfully introducing Driving Miss Daisy into the United Kingdom, are two outcomes that engender considerable pride in Stan.

Stan says that he prefers to refer to Optivance 360 as a "resultancy" rather than a consultancy.

"A consultant is a theorist; a person that identifies a set of needs, and uses a combination of theory and experience in coming up with a solution, but seldom implement the solution. The 'resultant' terminology that we've coined is somebody that gives advice, and actually implements it. We work in a long-term environment. The idea, therefore, is to garner the individual skills of people and bring them together to provide holistic and sustainable outcomes."

For each prospective assignment,

Optivance 360 engages at least two partners to assess and strategise. It is an extensive process, but one that clearly benefits clients. Optivance360 often holds workshops to draw out issues and gain a better understanding of the culture and needs of the business.

With clients across the SME, large business and franchise models, the approach is naturally very different – but that is where the years of experience at Optivance 360 come to the fore.

"Different business groups often have dissimilar agendas," Stan explains. "Stakeholders are very distinctive, and the process of making decisions can be profoundly different. One needs to take into account the culture of the organisation and the diversity of all relevant parties.

"For example, a franchise is a business model with a good deal of regulation and governance that surrounds it, but there are two very different propositions. You have a franchisor and you have a franchisee. Being a franchisor is the business of recruiting excellent franchisees, and providing them with the requisite training and support to run a successful franchise. That means that the franchise business model, brand management, communications and quality control are all central to the successful outcomes of both the franchisee and franchisor."

"The franchisee, more often than not, is a small business, restricted by rules. They benefit from the successful brand or product process, so the personality of the franchisor and franchisee are fundamentally different. There is usually more complexity for an advisory service in the franchise environment."

With such a variety of clients and industries, it is easy to see the benefit of Stan and Alan's philosophy towards experienced executives. Stan says that the two of them set out to "provide a permanent environment for senior executives and professionals to hang their hats on without any risk of being asked to leave other than failing a professional peer review", and in doing so has attracted exceptional talent and experience.

This approach also brings a mature mindset towards business and a desire to do more than just "make money". Optivance 360 has undertaken a lot of work that addresses social responsibility; ensuring that they leave a legacy of social good, and providing avenues for businesses that want to make a difference to the community.

One such example is Imagine Foundation, the brainchild of Ivan Schwartz, which will remain a key focus for Optivance 360 into the future.

"Imagine Foundation provides an alternative fundraising platform alongside philanthropy and corporate sponsorship," Stan says. "It introduces sustainable fundraising streams that do not detract or divert from traditional charitable sources. The foundation acts as a conduit, administering fundraising on behalf of participating community organisations.

"Its mission is to automate cause-related marketing in partnership with commercial enterprises and in so doing address an identifiable social need, utilising legacy points balances as the fuel. It also provides a growing list of corporate partners with an end to end customer retention and a growth platform able to deliver sustainable value to its host organisation, as well as to the communities in which they operate."

Imagine Foundation's strategic commercial alliance with peer-to peer crowdfunding provider, EverydayHero, places it in a powerful position to deliver retention programs for its clients and at the same time deliver a tailored corporate social platform using pointsforpurpose™ as the primary cause for points redemption.

The aim is for Imagine Foundation is to raise more than $100 million a year for charitable causes – an extraordinary effort with great social implications.

For an organisation of Optivance 360's capabilities, it is refreshing to see such an initiative remain a key focus, and says great things about its founders. It is yet another example of Optivance360's holistic approach to business – a cornerstone of their own operations – and a great reflection of what can be done when you harness experience and skill.

For more information contact Stan Zets, Director Optivance 360 & Imagine Foundation - 0414 577 714 – www.optivance360.com & www.imagineif.net.au. BFM

Stan Zets, CEO, Optivance 360

Why entrepreneurs are abandoning superannuation

The Australian Government's plan to overhaul superannuation is causing widespread concern to many in the business community. Tax specialist **Murray Howlett** highlights how the proposed changes will effectively kill superannuation as an investment tool for high net worth individuals and entrepreneurs to build wealth.

Murray Howlett is Pilot Partners' Tax Partner

In its original form, superannuation provided a safe place to grow a nest egg for retirement. Even so, entrepreneurs have long-struggled to invest in superannuation due to the restrictions on investments inherent in existing laws.

Limitations for entrepreneurs considering superannuation included the inability to borrow funds (subject to limited exceptions) or assets be used as surety for borrowings.

Most importantly of all though, monies invested within Australia's superannuation regime are compulsorily trapped within the system until attaining the prescribed retirement age (somewhere between age 55 and 65 depending upon your date of birth and employment situation). This last restriction is a significant concern to entrepreneurs who are already unhappy with the restrictions placed on superannuation investments, particularly given both major parties' track record of changing rules once monies are committed to the system.

The trade-off was attractive low income tax rates and strong asset protection benefits.

LACK OF TRUST

The latest round of super changes has upset the balance, particularly given both major parties' track record of changing rules once monies are committed to the system. There now appears to be a political position that a certain level of super is sufficient and any amount above that is just 'rorting the system'.

With the Government continuing to tinker away with superannuation many entrepreneurs no longer trust the system. They are fearful that they won't be able to access their money how and when they want it.

THE CHANGES AHEAD

In the 2016-17 Budget, the Government announced a superannuation reform package and redefined the objectives for Australia's superannuation scheme which is to "provide income in retirement to substitute or supplement the age pension."

Within the context of this new definition, the proposed changes include higher taxes on super contributions for high-income earners, changes to super contribution caps as well as restrictions to Transition to Retirement pensions (TTR). They also seek to impose a per person balance of $1.6 million before existing, long-standing, tax concessions disappear.

Further, the government has now proposed supplementary objectives for superannuation being:

1. facilitate consumption smoothing over the course of an individual's life;
2. manage risks in retirement;
3. be invested in the best interests of superannuation fund members;
4. alleviate fiscal pressures on Government from the retirement income system; and
5. be simple, efficient and provide safeguards.

Points one and two raise the question whether the Government will place further restrictions on lump sum withdrawals. In other words, superannuation is not intended to be an estate planning or wealth creation tool but purely a mechanism to allow members to accumulate enough savings to fund a pension up to the age pension equivalent.

WHAT ARE THE ALTERNATIVES?

Entrepreneurs are no longer willing to back superannuation and are seeking alternate wealth management and creation structures that do not require their monies to be locked away for many years or to be subject to the political whims of the current ruling party.

With superannuation out of the mix, entrepreneurs are seeking alternative structures.

Currently Australian's have a choice of four structures, or combinations thereof, for their various business and investment operations. These being:

1. Your own name;
2. A company;
3. A trust; or
4. A superannuation fund.

The right structure for any particular circumstance will always depend upon the peculiar facts of the situation.

Well drafted discretionary trusts have proven to provide strong asset protection given no-one is considered to own the assets in such a trust. Discretionary trusts also provide flexibility of ownership and are adaptable to the changing circumstances not only of our political parties, but also of the trust's controlling family.

One thing trusts do not offer is a low income tax rate. Indeed, if trusts do not distribute their income to other taxpayers in each year, tax will be paid at the highest possible personal tax rate of 49%. As company's offer access to a 30% tax rate on investment income, they will also often play a role in a superannuation alternative structure.

The right structure for any individual's circumstance will depend upon their particular needs.

Some examples may be as follows:

1. A discretionary trust owning 100% of the shares in an investment company;
2. A discretionary trust holding investments but distributing income to a company as beneficiary;
3. A combination of 1 and 2 whereby capital growth assets are held by a discretionary trust, but income bearing investments are held by the company; and/or
4. A number of trusts designed to achieve the above benefits but to enable smoother transfers of wealth across generations.

Superannuation as an investment and wealth creation tool is dead. Now is the time to look for alternative options. An experienced tax and business advisor is the best person to speak to in order to plan for the future. **BFM**

Pilot Partners' Tax Partner Murray Howlett has practiced as a professional business advisor since 1993. He is knowledgeable in all facets of federal tax and regularly consults on corporate tax, superannuation and international tax-related matters.

THINKING LIKE ENTREPRENEURS

Planned to serve the growing population needs of the area, Sunshine Coast University College welcomed its first students through the door in February 1996 – and it's been rapid growth ever since. Full university status was granted well ahead of schedule, officially becoming the **University of the Sunshine Coast** (USC) by January of 1999, with year-on-year growth in students and strong reputation globally.

USC is now one of the fastest developing universities in the country with an 11% growth in student enrolments from 2015 to 2016 and a master plan to have 20,000 students by 2020.

That sort of growth is not just a result of population demand. USC is a choice university amongst students for its ability to prepare them for life in the real world – particularly in the School of Business.

"We're a five-star teaching university as per the Good Universities Guide, and I think that shows the focus that we have," explains USC Head of School of Business, Professor Mike Clements.

"Students get personal attention and interaction with lecturers and that's in some part due to our small size; it's a very connected experience."

While a student having a positive experience at a university is a genuine benefit, the ultimate objective will always be to receive an education that will help them get a job, and equip them for life in the workforce.

"I think the focus of all institutions is to transfer the learning of a workplace into the context of a classroom," says Mike. "You can only do that if you can connect students to the challenges of the modern workplace – and that's a real focus for USC. Early on in their learning journey we make sure students are connected and have exposure to the challenges of the modern workplace, and therefore they can optimise the learning at university.

"We want students to know why they are learning what they're learning and where that will take them. I think that's important because that provides some real focus."

This concept is incredibly challenging when you consider how fast the world is evolving; however, Mike believes that current students have the capability to deal with such changes.

"This is a generation of early adopters. With the right education they have the ability to adapt to the challenges as they present and move with the changes as they occur."

As Mike notes, the business world is radically changing with the likes of digital disruption, automation, globalisation and advanced logistics having significant effects on the labour market. Furthermore, businesses are also more ethically aware of the social and environmental impact of their activities – all contributing to a vibrant business world where leaders will need to adapt and grow at short notice.

Utilising that 'early adopter' mindset, Mike says the key is encouraging students to think like entrepreneurs.

"A change of pace creates opportunities with the right mindset. I think it's important to help students identify those opportunities and adapt their skills to maximise their input to fill the gaps in the markets. There certainly are changing times ahead but I think that presents opportunity."

Encouraging an entrepreneurial mindset is undoubtedly positive; but how do you teach that to students who haven't even entered the workforce?

USC Head of School of Business, Professor Mike Clements


The heart of the USC campus at Sippy Downs on the Sunshine Coast combines contemporary, award winning architecture and a generous amount of open, green space enjoyed by students throughout the year.

"We bring the challenges of the current business environment into the learning context," Mike explains. "Firstly, we bring it to the classroom through relevant and current case studies. Then we introduce it in practice by immersing students in the workplace and, where we can, in the global industry context.

"Our lecturers are highly engaged with industry and I think this ensures that the course content is continually revitalised and that's important to ensure there's relevance to real world issues. While we teach classic business theories we also use practical examples and case studies in the curriculum to engage with industry where possible. These amplify and demonstrate the importance of theory in action."

The next element, says Mike, is to build resilience; a fundamental trait in successful business people everywhere. This comes from reinforcing the importance of "lifelong learning" where the student takes the skills and knowledge of the classroom, and learns to adapt it in context for the future. In doing so, students remain competitive in the changing environment and can move confidently with industry challenges.

"It's about producing graduates that can contribute to society with their strong theroretical , ethical and social awareness and have a well-developed entrepreneurial mindset to solve the issues that crop up everyday in the business environment. For me it's also about helping students to realise their own goals, through developing confidence with their newly acquired knowledge and putting those skills into building a strong and fulfilling career.

"I want students to look at what they need to be able to solve and then adapt that thinking to be able to solve real problems. Overall, it's developing an entrepreneurial mindset and I think that will help students become self-starters, embrace challenges as opportunities, and develop in themselves a passion and resilience to achieve their goals."

In an era where students can gain qualifications from all over the world at a click of a button, it is reassuring to see an institution that focuses so clearly on real world experience. The days of an employer hiring someone from a piece of paper are long gone – the business world is looking for future leaders and people who can apply learnings in an ever-changing world. And that is what USC is offering. BFM

Five reasons why EDMs shouldn't be forgotten

By **Chris Stolke**, Pronto Woven Manager, Pronto Software

Sensis recently released the results of its annual study into how social media channels are being used, after surveying 800 consumers and 1,100 businesses in Australia. A total of 69 per cent of Internet users have a social media profile, with people using it more than ever as a connection tool. Fifty per cent do so daily, with just over a quarter checking in more than five times a day. For almost half (49 per cent), social networking is one of the first things they do each day and this behaviour has been growing steadily since 2012.

With the increasing infiltration of social media in our day-to-day lives, almost every business has a social media presence. However, the real question lies: how effective is the average company's social media marketing strategy?

Sure, businesses might be on Facebook, LinkedIn and Twitter however are they being used as part of an effective social media marketing strategy? These channels are often draining resources while failing to bring in new customers. After all, social media is time consuming when done properly.

As social media has really taken off in recent years, many businesses have simply tagged it onto their existing marketing strategy. Surprisingly, a lot of companies think about social media but many have the tendency to overlook a proven form of advertising that's stood the test of time: EDMs or email marketing.

If you have been dedicating more and more resources to social media recently and are not quite seeing the results you were hoping for, here are five reasons why an EDM might be that missing piece of the puzzle you've forgotten about.

1. It's cost-effective

Have you been experimenting with Facebook and Instagram advertisements? While this form of advertising may be cheaper than traditional methods, the costs still mount up. This is especially the case if your ads or promoted posts aren't hitting the mark and generating new customers. Once you've built up a reasonable email database (businesses should offer people an incentive that is of value in return for email address details), you have got a real opportunity to tap into and market to your database. Best of all, it is absolutely free to do so. With many easy-to-use email marketing tools available to businesses, EDMs can be sent and managed quite easily.

2. It's direct

Majority of mobile phone owners are linked up to their personal emails. This means people are connected 24/7. Instead of competing with the crowd and noise across social media, EDMs see you reaching your customers directly. Experiment to find what works and what doesn't, but once you start getting the hang of your customer's behavioural patterns and communicating to them in a personalised manner based on their interactions with the product or service, you can easily convert these leads into repeat customers.

3. It's a channel where trust can be built

If you're able to send a potential customer an email, that's because they have given you their email address, which means your product or service interests them on some level. Email marketing is a great relationship building tool – sending out consistent emails will see people starting to expect messages from your business. An effective email marketing strategy sees companies providing value to their customers – not adopting a sell, sell, sell approach. Experiment with the types of content you send (i.e. whitepapers, infographics, images, timely updates) and email subject lines too – after all, this is what will determine if someone will actually open the email. However, it is critical to note that the content shared with customers over email should be personalised, and be of value to their interests and needs, in order to maintain trust and repeat readership of communications.

4. It's easy to track and measure

Of course, it's critical to track and measure everything to determine effectiveness and identify areas of opportunity. With email marketing and the right tools, it's easy to track open rates, sales conversions and patterns. When something doesn't work, change it up. Once you do find the right formula, it will work for you again and again.

5. It's effective in reaching the right people, at the right time

Every now and again, you will come across someone without a Facebook or Instagram account but almost everyone has an email address – even those who are not tech-savvy. This means that an email's reach is significant and shouldn't be overlooked.

Ultimately, if you get your email marketing and EDM strategy right, you will drive people across to your website and social media channels in any case. Once people have an interest in your products and services, think of social media as a continuation of the conversation. It is another way to engage with your customers, and interact across a variety of channels and platforms. Through an integrated approach, you can be reaching your customers meaningfully via multiple touch points in any one week. **B**FM

The poetry of public speaking

Two years ago Saxton Speakers Bureau celebrated its 50th birthday. When you consider less than 1% of businesses make it that far, the magnitude of this achievement is considerable. **Jonathan Jackson** speaks with **Nanette Moulton** and **Winston Broadbent** about longevity, quality and communicating a message with integrity.

Ita Buttrose at Australia Speaks

Author and self-improvement icon, Dale Carnegie once postulated: "speakers who talk about what life has taught them never fail to keep the attention of their listeners."

It is a lesson many circuit speakers have heeded over the years, and for good reason: if you haven't won over your audience in the first five minutes, you may as well be talking to the wall.

Since its foundation in 1965, by the pioneer of the Australian public speaking sector, Joan Saxton, one company has built up an almost iconic reputation for delivering engaging, insightful and inspirational speakers.

Risen humbly from Saxton's loungeroom, the Saxton Bureau of Speakers is considered the leader in the industry.

And it is not difficult to see why.

From the first Saxton speaker Sir Zelman Cowan, to Edward 'Weary Dunlop', Ita Buttrose, former Qantas chief and Woolworths Chairman, the late James Strong, to more contemporary inspiring figures such as Holly Ransom and Naomi Simson, Saxton has developed a formidable family of speakers who each have their own unique message and story to tell.

Family has been an important tenet for Saxton. Since 1988, when Nanette Moulton and Winston Broadbent purchased the business from Joan, it has been a family affair.

They are, of course married, but when speaking with them you also get the sense they are partners: two people who have moved in the same direction, hand in hand, with the same goal in mind to "do their best in every situation, with the best intentions."

It's one of those lessons that people with children would wholeheartedly recognise. They are the types of values we try to instil in our children. And Saxton, albeit grown up, is a beloved child treated with all the affection that permeates success.

This attitude filters through the entire organisation and extends to clients and speakers. Indeed, everyone involved with Saxton is an integral member of the Saxton family.

"We care for our clients, our staff and our speakers and we want the outcomes to be right for them," Winston says.

The former teachers met when Nanette and her best friend swapped teaching rounds. It was a fortuitous move that brought the pair together.

Yet, why would two successful teachers with two small children look to break from secure careers to buy a business that was, in Winston's words, "earning less than half a teacher's salary?"

"We had taught for 10 years, Winston and I were involved in introducing computers to secondary schools, but we wanted something bigger and different," Nanette says.

Still, this was a small industry in 1988 and when they bought the business on the very night they met with Joan to discuss the transaction, they "bought a crate of carbon copy books and Colliers diaries which held all of Joan's records."

At the time Saxton had just 40 speakers. To give you an indication of the growth, today Saxton has thousands worldwide with over 100 exclusive.

Clearly the pair believed they had the moxy and the tools to try something different and make a success of it. A set of complementary skills was also crucial.

Winston was head of mathematics at Carey Grammar in Melbourne. He designed the software that set up the company's foundations. That software still has a major influence in the way in which the business operates.

Winston has said previously, "There was a huge opportunity to automate the systems which essentially were run by a carbon copy book and a diary so armed with a Mac+ and a dot matrix printer we set to work. A student of mine, Ian Dobson developed the first dedicated speaker database for us. Ian was carrying a robot with him and could solve a Rubik's cube in less than a minute when I met him in year 8. The last 28 years has been a journey of innovation and automating systems in parallel with developing some wonderful relationships and friendships.

"We now have what is arguably the best system of its kind in the world... almost everything in the business has a mathematical background, the reports, the KPIs, the incentive systems, the web, the proposals."

Nanette proved to be a natural event planner.

So the pair who knew nothing about corporate life, were suddenly thrust into the corporate spotlight.

And they were an instant hit.

"In the first month we turned over more than the business did in the previous three years," Winston says.

When James Strong came into their lives soon after they took the business over, it changed their trajectory forever.

Both Nanette and Winston can't speak highly enough of the late, highly regarded businessman and philanthropist.

The pair felt that if they could entice Strong to the speakers' stage, it would light the fire they needed to move forward. They knew he was looking at transitioning to more than business, to something he felt would be more fulfilling. He was looking to give back to the community and he was open to sharing his life with people willing to learn a few lessons.

Strong became one of the premier speakers in the country, a Saxton board member and with his wife Jeanne-Claude, Nanette and Winston's best friends.

Meeting Strong was a serendipitous moment, one of many this pair has enjoyed, but this serendipity allowed them to, as Winston says, "build a new culture in public speaking based on articulated values, passion growth and integrity."

Another key to Saxton's success is they have always been ahead of the learning curve.

From Winston's software, to Nanette introducing a TED talk style of speaking, before 18 minute gigs were a glint in 'TED's' eye.

"We were the first to introduce 15 minute talks. The first to create speaker catalogues, booklets for events and the first in the industry to build a website," Winston says. "We were also the first to have a YouTube channel.

They were also the first to represent some of the most powerful people in the country, including the likes of Gough Whitlam. Former New Zealand PM David Lange was also a favourite.

This article could be a long list of names and I'm tempted to name drop, but it's best to focus on the quality of the speakers.

As I quoted when I started this article, "speakers who talk about what life has taught them never fail to keep the attention of their listeners."

Winston Broadbent and Nanette Moulton, Directors of Saxton Speakers Bureau

It is an important quality, but the speakers share more than this quality.

"We only work with people who have achieved something in their life, who have substance and have a story to tell," Nanette says. These qualities include:

a. They have earned the right to speak – achieved something that sets them apart

b. They are exceptional communicators

c. They possess an indefinable quality, which you have to be there to see, hear and feel, to create a bond with the audience. This is impossible to define, one has it or one doesn't.

Not everyone has these qualities. You can be highly successful, but sometimes not have the communication skills to back your success on stage.

It is not a problem experienced by Saxton's speakers. Each one can communicate well and each is captivating in their own way. Take another Australian icon, Ita Buttrose for instance.

Ita has been with Saxton for many years and Nanette and Winston consider her a close friend. Winston recalls Ita's skill in the following anecdote: "Ita was MCing a Meetings Industry event in Townsville and awaiting the arrival of the then, Ambassador Richard Butler. Ita was advised that Mr Butler's flight had been significantly delayed. She filled the delay with 20 minutes of very entertaining anecdotes from her career always with one eye on the back of the room for Mr Butler. She closed her address and with the utmost aplomb introduced the next speaker. The audience was none the wiser – a very rare skill."

The next phase for Saxton and its speakers will be Saxton Global, where the likes of entrepreneur Megan Quinn, entertainment phenomenon Tom Thum, elite businessman David Thodey, London bombing survivor Gill Hicks and many others can spread their messages.

Over the last almost 30 years, Nanette and Winston have built a brand synonymous with quality and success. And having built a family with the same values, their legacy will continue long into the future. BFM

WHAT REALLY BUILDS A GREAT CULTURE IN A RAPIDLY GROWING BUSINESS?

By **Ronnie Altit**, CEO of Insentra

In the last issue, I wrote an article about the importance of treating your employees as adults and why we don't run an adult day care centre at Insentra. I often have entrepreneurs ask me how to make their culture fail safe, especially when their business is growing rapidly. The answer: there is no fail safe way to create an exceptional culture. However, if you create real alignment to the company vision and strategy, build a leadership team who have the passion to implement the vision and foster an environment where people can be their best self, then your culture will take care of itself. Let's explore a few ways we achieve these goals.

GAIN ALIGNMENT

For culture to be sustainable, every single leader in the business must be aligned. The culture must be clearly defined, articulated and communicated.

We recently ran a two-day offsite workshop for our leadership team with the aim of getting all leaders of our business aligned with the company vision. The event was structured around a fantastic concept by Steve Farber who wrote a book called The Radical LEAP. I would encourage every entrepreneur to grab a copy and take a read. It speaks to the concepts of Love – loving what you do in the company of people who love what you do. Energy – people feed off your energy as a leader, so bring positive energy into every interaction; positivity begets positivity. Audacity – encouraging people to be bold and to have the difficult conversations (often resulting in "Oh Sh*t Moments) and Proof - don't just say it, do it, live it, be it and do it consistently.

At the end of our two days together, every member of our leadership team left energised, absolutely in alignment with the company vision and with clear steps for how they can behave to continue the consistent implementation of our culture.

FOSTER TEAMS, NOT HIERARCHY

Hierarchy kills business. Every organisation has a hierarchy which is needed in certain situations such as performance escalations, and career path opportunities, among others. However, when hierarchy is used to "pull rank" then it becomes defeatist to building a successful culture – it destroys the concept of team. If a team is operating effectively, no one should ever have to leverage their position to get something done – all team members should want to support one another regardless of roles. At Insentra, we have a motto of One Team, One Dream – if someone unnecessarily pulls rank based on hierarchy then we see this as a red flag. In a team environment hierarchy should not be required.

NO CONVERSATION IS OFF LIMITS... UNLESS IT'S BITCHING

Culture is killed when people are not able to be honest with one another. This is where bitching comes in. Bitching is off limits in our company; it is the root of all office politics. Every member of the team is encouraged to speak openly and to be audacious – have the difficult conversation without fear of negative consequence. People will be comfortable to speak openly and have the much needed conversations if the hierarchy in the business is not feared.

ENCOURAGE ESCALATION

Staff often don't escalate issues for fear of it becoming a career limiting move or that they will be seen to be "throwing someone under a bus". Without an ability to escalate, issues remain open and fester, driving 'bitchy' conversations and relationship breakdowns. Creating an environment where people feel comfortable to escalate (and to be escalated upon) enables every conversation to take place in a constructive and productive manner. It is essential to ensure that the escalation does not result in the initiator being chastised, otherwise people will no longer escalate.

We are on a constant journey to ensure our culture is maintained as our business grows. Building and maintaining culture is a never ending process and one to be embraced. A culture can and always will be the make-or-break of a great business. **B**FM

Insentra is a collaborative IT Services partner delivering a range of specialised Professional and Managed Services transacting exclusively through the IT channel. We focus on attaining knowledge and skills in solutions that will best empower the channel. Our partner-centric business model provides our partners and their clients with access to industry expertise and accountable outcomes. Insentra ranked top 10 in Best Places To Work.

RECRUITMENT TURNED ON ITS HEAD

Recruitment is one of the most broken processes in business today writes **Steve Halsey**.

At a time when companies need the very best people to not just grow, but to even stay in business, they are relying on a recruitment model that is archaic, flawed and completely dysfunctional.

At all stages it is broken with employers, candidates and recruiters all playing a part.

Employers create unrealistic "shopping list" requirements and use boring and dull job descriptions to try and attract candidates. They often farm out search requirements to multiple external recruiters forcing them to compete and search on speed rather than quality.

Candidates apply for roles they are vastly over or under qualified for and provide CVs that are often highly fictional. Surveys show over 60% of people lie on their CVs.

The sheer volume of applications for jobs means automated systems are used to sift, sort and select using often highly questionable criteria.

It's a no win situation where employers complain they can never find the talent they need and job seekers complain about constantly throwing their CVs into a black hole and hearing nothing back.

Aiming to disrupt this and turn recruitment on its head Totally Different Recruitment have examined the entire recruitment

model and made improvements to every stage of the process. They have identified over 30 points of difference to make things easier for both employers and job seekers.

Most companies and recruiters adopt the highly dangerous and damaging because that's the way it's always been done" approach and never challenge or look for better ways. This often leads to a system where great candidates often miss out and employers don't get the quality staff they really need.

Changes they have identified and incorporated include avoiding the use of job descriptions when advertising jobs, not asking for CVs to look for ways to disqualify people, assessing people based on what drives them and their motivation in applying for a role, and extends to how they organise and conduct interviews.

Employers today are looking for more than just someone who can do a job, particularly at the more senior levels. They need people who are passionate and driven and while experience may be important, it should not be the primary driver in selecting talent. As management and leadership author Simon Sinek says "if you hire people just because they can do a job, they will work for your money. But if you hire people who believe what you believe, they'll work for you with blood and sweat and tears". There is no way you can identify these traits by simply looking at a CV.

Today companies need staff who will do far more than simply maintain the status quo. They need staff who will make a positive contribution to the business to ensure it grows. Surveys show that 95% of small businesses fail in the first 5 years. Even the big companies are not immune. More than half the US Fortune 500 companies from 2000 no longer exist.

Based on these trends, 40% of today's Fortune 500 companies will be out of business within the next 10 years. In this increasingly changing and competitive environment, hiring the right people is crucial to giving today's businesses any chance of not just growing but of even staying in business.

In addition to showing employers a better way of recruiting, Totally Different Recruitment also provides a coaching service to assist job seekers on how to navigate the job search market, avoid the CV black holes and give them a better chance of securing a great job. BFM

CASE STUDY:

HOW ONE COMPANY FOCUSED AND CONQUERED

"In the first three months...we created opportunities that equate to 50% of our total revenue.... That's something we've never achieved before."

BUSINESS NAME: Excite IT
AGE OF BUSINESS: 8 Years
NUMBER OF STAFF: 19
REVENUE: $2.6M

Excite IT's Managing Director Bryan Saba can hardly believe the difference he sees in his company. A year ago the organisation lacked the clarity they needed to make strategic moves and plans. While they had a framework, process, and procedures in place, they also had challenges with moving forward due to a lack of clear vision and focus.

This situation isn't unusual. A recent survey revealed that only 29% of employees knew and understood their company's vision, or strategic core. That means about 70% of your employees are unknowingly rowing in the wrong direction. The results are predictable: misalignment on the organisation's plans, decisions, and goals—phenomena that Excite IT regularly experienced.

But in late 2015 the company made a change that would alter its trajectory. Excite IT began to implement the Entrepreneurial Operating System® (EOS®). EOS is a complete set of concepts and practical tools designed to help entrepreneurs get what they want from their businesses. EOS helps company leadership teams improve their vision, gain traction, and become a healthier and better functioning team.

Soon after implementing EOS, Excite IT found clarity and momentum. "We're now left with staff members that are aligned to our vision," Saba said. "They're here for the bigger purpose, they're not here for the selfish or personal ego needs. In the first three months of implementing EOS, we created opportunities that equate to 50% of our total revenue. And another three months on, we have closed 40% of these. As we progress, we continue to create or find opportunities. That's something we've never achieved before."

Saba credits EOS with teaching the leadership team to manage business objectives in a very specific manner. "The GWC tool—Gets it, Wants it, has the Capacity—has been invaluable. It's a simple tool to give management in regards to the personnel within their team," Saba said. "As business operators, you don't have time to waste—this tool has the ability to catch personnel symptoms before they become problematic. It allows management to take corrective action through coaching, guidance, training, same page meetings, adjusting hats, etc."

Saba continued, "EOS has been essential in taking Excite IT forward. While the experience (of leadership) can be overwhelming at times, I remind myself that I'm not here for a holiday; I didn't come this far to come this far. We confront and take action and when it's done, we look back, smile, and appreciate the courage we had and the action we took. This is continuing as we proceed through the EOS process."

For more information about how the EOS Process™ can help your business gain traction, visit https://www.eosworldwide.com/bfm. BFM

EOS® Entrepreneurial Operating System®

Business Coaches Discover a Simpler System for Their Clients—with Greater Results

Tired of reinventing the wheel for your clients? Many business coaches who work with entrepreneurs and leadership teams spend significant time developing systems, tools, and processes, then customising them to fit each of their clients. It's mentally exhausting and complex work, and it's difficult to prove that the modular systems are effective.

But many coaches and mentors are discovering a set simple of tools and processes that work for any business, in any industry.

EOS®, the Entrepreneurial Operating System®, provides a complete, proven system that will help you maximise your impact, work efficiently with clients, and provide lasting results for greater business success.

WHAT IS EOS?

EOS has helped thousands of entrepreneurs get what they want from their businesses. The proven system will help your clients get better at three things:

- **Vision**—getting everyone in your organisation 100% on the same page with where you're going, and how you plan to get there
- **Traction®**—instilling focus, discipline, and accountability throughout the company so that everyone executes on that vision—every day
- **Healthy**—helping your leaders become a more cohesive, functional, healthy leadership team

EOS is based on Six Key Components™ that are universal for every business:

Vision means getting everyone in the organisation 100 percent on the same page with where you're going and how you're going to get there.

People are key because a business can't become great without a team of great people. Entrepreneurs need to surround themselves with great people, from top to bottom.

Data allows leadership teams to cut through all the feelings, personalities, opinions and egos, and boil your organisation down to a handful of objective numbers that give you an absolute pulse on where things are.

With strong Vision, People and Data components, you start to create a transparent, open and honest organisation where everything becomes more visible and you start to identify all the issues.

Issues means becoming great at solving problems throughout the organisation—setting them up, knocking them down and making them go away forever.

Process is the secret ingredient in your organisation. This involves systemising your business by identifying and documenting the core processes that define the way to run your business.

Traction brings discipline and accountability into the organisation so that your company becomes great at execution. Traction takes the vision down to the ground and makes it real.

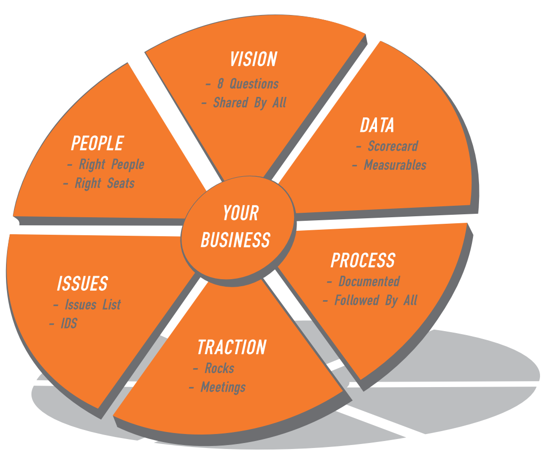
COULD EOS BE THE SYSTEM YOU'RE LOOKING FOR?

Most Professional EOS coaches, called Implementers, are entrepreneurs and executives who successfully exited their companies, or are professional business coaches. They share a passion for helping other leaders get what they want from their businesses.

These Implementers discovered EOS when searching for simple, practical tools to help their clients gain traction in their businesses. Because EOS is a turnkey system, Implementers can focus on helping clients strengthen team health and solve issues, instead of creating templates and processes.

Want to learn more about becoming a Professional EOS Implementer? Attend our next overview webinar: http://www.eosworldwide.com/webinar-aus or call 1300 087 010. BFM

THE EOS MODEL™



Do Introverts make better CEOs in Australia?

Currently, leadership wins and losses within large organizations in Australia are attributed mainly to the business leadership, in particular, the leadership team's CEO and their executives. Does a CEO who is an introvert make a more successful leader for Australian businesses? **By Ryan Makris**.

CEOs chart and navigate the business course, motivate the crew and ensure the business doesn't stray off course into unchartered waters for the shareholders and customers.

Due to the complex structure of many corporations, the message from the boardroom does not always permeate through the business, especially to the grassroots employees on a regular basis. As there are protocols and delineation of authority, roadblocks and challenges occur due to staff self-preservation. This means bad news is not passed back up the chain to the CEO through their subordinates because extroverted CEOs may be overly forceful or animated with their reply or may have a reputation for not listening to all parties before making a decision, good or bad or indifferent on the news or data they received.

Recent research from the McGill University Professor Karl Moore said, "Introverts typically appear to be better listeners, they wait for others to express their ideas before they jump in with theirs. After studying introverts in the c-suite, I have come to the conclusion that extroverts, like myself, must put on our 'game face' and act like an introvert at times, in order to be effective leaders. What is good for the goose is good for the gander.

"With the increasingly turbulent environment of many industries, we must pick up the pace of change within our firms to effectively align with those fast changing environments. A key way to effectively stay aligned is going to be boundary spanning employees, with one foot in the customers/suppliers/partners world and the other in our firm. Learning is becoming more important than always being dominant. Listen more, talk less is a key lesson for extroverts. However, what my research suggests is that somewhere between 25 and 30 % of C-suite executives are more on the introverted side and. 75 % of Google's senior leadership is introverted," he said.

"Scientific research now shows that behaving in an introverted manner is the key to success as a leader. Like Mahatma Gandhi, Abraham Lincoln, and Socrates, great leaders are introverted: their behaviour is quiet, shy, reserved, and unadventurous. This enables them to empower their people to deliver results."

Service Desk Coaching agrees and found that listening to employee concerns from their clients by their senior management consultants improved team engagement and improved results by building rapport and having authentic empathy that drove significant results. If you have a perceived plan without first listening to the troops, transparent engagement will never eventuate as they are not part of the solution, rather just a passenger in the journey. They have not contributed to the plan, so why would they care or give 100%?

Patrick McKinght, a psychology Professor at George Mason University says, "Be careful about hiring the person who is extroverted, and along with that personality, make sure they have a reputation for getting things done," he said.

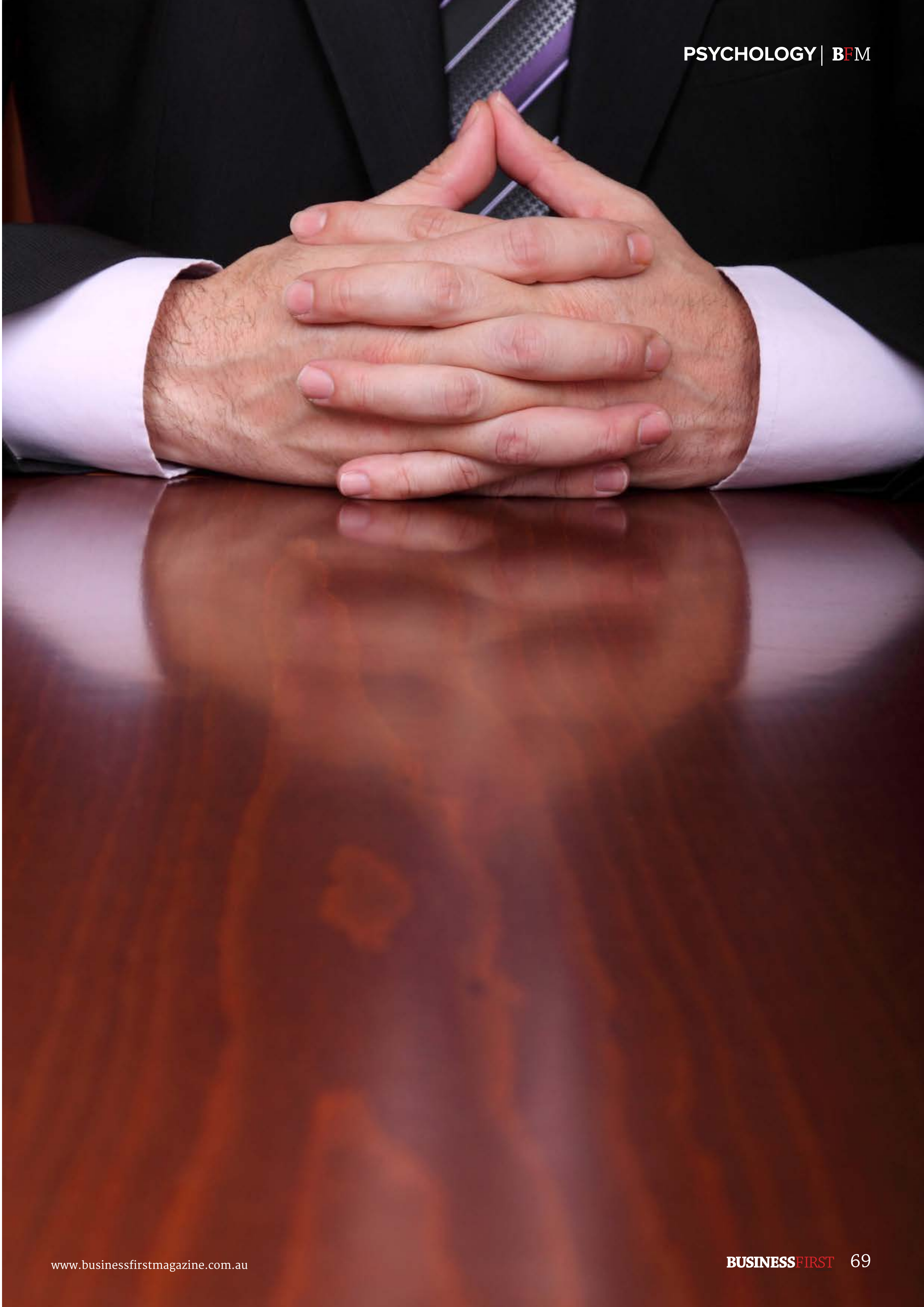
Stephen Kaplan, a Chicago Professor states: "when a company looks to hire a charismatic CEO, it tends to be disappointed."

The authors, from the University of Chicago, Harvard and Stanford, used linguistic analysis of calls to sort 4,591 CEOs and the Researchers found that companies with CEOs who have higher scores for openness spend 10% more on research and development, compared to the mean of all the CEOs examined in the study. CEOs who scored highly in extraversive run companies with a 2% less return on assets, the converse is true. Introverted CEOS ran companies that outperformed their peers as a whole.

Service Desk Coaching agrees and their experience of CEOs who listened and engaged their audience, not only motivated their staff, their message resonated long after their meeting or presentation concluded and the culture of the business tended to mirror their behaviour.

Australian CEOs earn the high salaries due to the fact the job has enormous challenges and the responsibility to lay the foundations in strategy is extremely difficult. There are many stakeholders they must prove themselves to from the Boardroom, Directors, Managers and their staff. The strategy can also take many years to get a full grasp of, and on average the optimal life of a CEO is 4.8 years according to co-lead researcher Michelle Andrews of the Temple University Study.

CEOs really have no time to waste and this contributes to their quick but calculated decisions in their day to day operational business critical tasks. **BFM**



Adjunct Professor
Stephen Cornelissen

THE GROWING NEEDS OF HEALTHCARE

When the Sisters of Mercy opened a small hospital in Malvern, Melbourne in 1920, they could not have imagined how diverse and extensive the Mercy ministry would become. That first site, called St Benedict's (now the Cabrini Health site), paved the way for the Sisters to open a private hospital in East Melbourne in 1934, and then for further growth when they opened the Mercy Maternity Hospital, later renamed Mercy Hospital for Women, in 1971.

It was however the expansion of Mercy's services to support the western metropolitan region of Melbourne, including Mercy Palliative Care in 1982 and Werribee Mercy Hospital in 1994, that set the platform for Mercy Health and Aged Care to be formed in 1996 (later renamed Mercy Health), and the opportunity for national growth.

"The formal creation of Mercy Health and Aged Care came from the basis that we needed to look more widely at the service we were providing and recognise that we could do more in the community than what we were doing in public health," explains Adjunct Professor Stephen Cornelissen.

"We wanted to bring in mental health services; we knew there was a growing need in aged care and that older people were at risk of being the new poor of the next century."

The growth in the latter area has been significant. Starting with just 400 aged care beds in Victoria, Mercy Health now has almost 2,000 beds and has extended its care into New South Wales, Western Australia, Queensland and the ACT.

Much of this growth has occurred in the last seven years and there are plans for another 300 beds to become available in the next three years. It is rapid expansion, but unquestionably done to address a need.

"I think there are three reasons why that growth is really important," says Stephen. "First and foremost are the benefits of extending our mission to serve more people. Secondly, it facilitates long-term sustainability and ensures that we have the scale, and business acumen, to provide services into the future and respond to new and emerging needs.

"The third is our market presence and our relevance. I think by being larger and more dispersed, we improve our ability to advocate and ensure that those who need a voice can have one through us. Obviously, the larger you are, the more reach you have, and the greater your ability to hold that level of advocacy at the government and policy level."

This voice is particularly important as Mercy Health moves into the Indigenous health sphere. Central to this movement is an agreement struck with the Apunipima Cape York Health Council in far north Queensland, which Stephen hopes can help close the gap between Indigenous and non-Indigenous Australians' health.

"The Closing the Gap Report revealed that while Indigenous infant mortality has fallen, progress towards other health issues has stalled," he explains. "There is a continuing gap in life expectancy of some 10 years, and that is just unacceptable, so we are hoping that our partnership can address some of these ongoing issues."

Stephen's plan is more encompassing than just providing healthcare. He hopes to establish health scholarships to get Indigenous people into the health workforce and encourage the exchange of both corporate and clinical skills.

"We would like to participate in a Cape York aged care review about how we respond to the needs of the aged care needs of our Indigenous communities. We currently have a range of Indigenous programs in Victoria, primarily through our two hospitals, that engage Aboriginal and Torres Strait Islander people in maternity, newborn, and early parenting services; as such we believe we have a platform to learn from and grow."

While the growth has been rapid – both in scope and services – Stephen says it is important that there is consistency in philosophy throughout the organisation.

"I would like to think that anyone who has contact with any of our services – whether it's mental health, aged care, or our hospitals – feels respect and compassion from the minute that contact begins," he says. "I think they should be able to see that we believe in the dignity of every person from the beginning to the end of life. They should be able to see that we want to work with people and partner with them in meeting their physical, social and spiritual needs."

Equally, Stephen says that the ethos and model of care should extend to families and loved ones of the patient; helping them feel reassured through personalised care.

Naturally, this consistency in approach and operation becomes more challenging with growth – particularly when stretching across the country.

"I believe the biggest challenge with size is how people stay connected to the organisation and how we engender that collective mission, vision and values," says Stephen. "We can empower our teams to be self-determining, but

The exterior of Mercy Place Albury


Paediatrician Dan Casalaz with a baby in the Neonatal Intensive Care Unit at Mercy Hospital for Women in Heidelberg, Victoria

we also have to provide them with direction and support. When our people feel they own what they are doing and they drive it, we know we succeed."

Stephen's leadership through this period has been recognised by his peers. Stephen won CEO of the Year and Health & Pharmaceuticals Executive of the Year at The CEO Magazine's 2016 Executive of the Year Awards. He says this acknowledgement "humbled" him and "better reflects the work of the 7,000 people" he presents rather than just his own effort.

"I really do believe a CEO should be relatively invisible. We should be there when things aren't working well. When they're going well we should be quiet and let people do what they do."

While he has no immediate plans to move on, Stephen's considered approach does take in the future and what he hopes Mercy Health will look like after he decides his time is up.

"I think the biggest legacy any leader can leave is a fit, agile and grounded organisation that's able to carry on into the future indefinitely. That's a big ask, but I hope I could leave that. I want to see a legacy that retains that enduring capacity to care for others, but is equally willing to be at the edge and push the boundaries of how we care; especially for the most vulnerable and those who are at risk. I think we are on the way to that, but I also believe we need to get braver at times.

"We need to keep asking questions. How do we make sure that conservatism is not going to stop our bravery in looking at new things? What are the new needs? Who are the people who are at risk of not being served? What are we doing for them? They're the people who are the most complex in terms of how care is provided. We shouldn't turn our back on them. I hope I leave an organisation that continues to look at that."

Underpinning Stephen's approach is a genuine passion for healthcare and an enthusiasm for the work he does. It is a trait he looks for in his staff, and helps determine the direction of the organisation.

"We want to make sure that we're not purely a service that provides what the state or the commonwealth are paid to provide. What we want to be is a service that partners with government and others in providing services. In doing so, we are always looking to the edge of unmet need and how can we better respond. This is what we can bring to the state and commonwealth agenda in aged care, palliative care, women's health, hospital care and mental health."

With an ageing population and a growing need in mental health and Indigenous needs, Mercy Health is clearly on the right path. BFM

Suppliers underperforming? Chances are it's your fault

Business leaders across Australasia are struggling with underperforming suppliers. According to a study by Grosvenor Management Consulting, leadership style might be to blame for the disappointing results. Making small changes to the way business managers lead their suppliers could result in 27% better results and a 50% decrease in time spent managing them.

Inspired by the vast amount of literature available on the impact of leadership style on staff performance, Grosvenor's Procurement Practice Lead Dr Stefan Gassner set out to understand the impact of leadership style on supplier performance. Surveying 119 business managers from organisations across the region, he differentiated four leadership styles based on the Multifactor Leadership Questionnaire (MLQ) framework developed by Bernard Bass and Bruce Avolio.

The difference proved to be quite significant. Business managers who apply a Transformational Leadership style or work with Contingent Reward achieve 27% higher performance from their suppliers than leaders who prefer a Laissez-Faire or Management by Exception approach.

Not only do these champions get better results, they also spend less effort managing their suppliers. On average, survey respondents spend seven hours per week managing their best performing suppliers. In comparison, it takes more than 13 hours per week trying to improve the delivery of the worst performing suppliers.

Laissez-Faire and Management by Exception leaders tend to prefer a hands-off approach to managing their suppliers. They only get involved when serious issues arise and, in the case of Management by Exception, use punitive measures such as non-payment to get suppliers to perform. This results in suppliers who deliver the bare minimum or even take advantage of the client.

On the other hand, Contingent Reward leaders incentivise their suppliers and tend to reach contract goals. Transformational Leaders who invest time in coaching suppliers are rewarded with suppliers who proactively contribute innovative ideas and even exceed performance expectations.

While the results of the study show a dramatic difference in supplier performance depending on the leadership style, they are not entirely surprising. "Organisations spend up to 80% of their annual revenue with external suppliers. Even though they have a different company logo on their business card, it's fair to say that the supplier's staff are an extension of the internal team", says Dr Gassner. "Forgetting everything we know about the impact of leadership style on performance when managing suppliers is a big mistake." BFM

SMEs: Who are the winners this year?

By **Kelly Chard**, Associate Director, Prosperity Advisers Group

Christmas is almost upon us and business owners will be shifting their focus to planning for 2017. Let's take a look at the highlights for 2016 and how they lead into key themes for 2017.

The budget of uncertainty

The Turnbull government's May 2016 budget was widely flagged as a step in the right direction for small business. However, the proceeding lag time in policy implementation and uncertainty around superannuation policy has seen many SMEs simply "tune out" to how these changes affect them or their business.

Business owners should keep these in mind:

- Reduction to the small business company tax rate down to 27.5% from 1 July 2016 – applicable to business with up to $10M turnover.
- Other tax benefits opened to many businesses within the $2 and $10 million turnover band including simplified depreciation and trading stock rules
- Tax offset of up to $1,000 for individuals carrying on business via a trust, partnership or sole trading.
- No change to eligibility threshold for small business CGT concessions.
- Small business restructure tax concessions made available to family groups

The bad news for SMEs was to be at the personal retirement level with super flagged for retrospective policy, restricted thresholds and months of uncertainty in policy. While a backflip on the $500,000 retrospective lifetime non-concessional cap was announced in September the main superannuation policy announcements from the budget look set to become law from 1 July 2017, these include:

- $1.6 million transfer balance for super pensions
- Removal of the transition to retirement pension tax exemption
- Reduction in the concessional cap to $25,000 annually and non-confessional to $100,000 annually
- Lowering of the threshold for the additional 15% super contribution tax from $300,000 to $250,000

BUSINESS HIGHLIGHTS FOR 2016

The key 2016 highlights we hear from business owners on a day to day basis come from outside the tax sphere.

Low Interest Funding

Access to low interest business goodwill and asset funding has clearly been a key winner for business in 2016 –especially businesses that were able to capitalise on the low rates. We have seen many cases where the major banks have shown high degrees of flexibility on rates in order to retain and win new business – while this was not always on the first approach, it pays to be persistent.

New tools to monitor your business

We have also seen a shift in openness to technologies and new streamlined processes. Business owners now have access to apps and software that are affordable, giving them a comprehensive and real time view of their trading results and cash flow position. Business owners who previously preferred traditional methods are beginning to realise that they must adapt or be left behind.

Innovation

Business operating in the innovation field fared well during 2016 with a range of policies and grants delivered to foster innovation. The commercialization of innovative products and services continues to be an area of growth with ongoing rounds of funding and tax incentives.

ON THE RADAR FOR 2017

The 2017 landscape for SMEs will continue to present challenges. SMEs will need to be focused and savvy when it comes to steering their business in a winning direction.

Business Planning is Key

The top concern keeping business owners awake at night in 2016 was business planning (or lack thereof). With research showing that 72% of business owners don't have a business plan. Too many owners are concentrating on day to day operations and either don't have the time, skills or support to focus on long term planning and growth.

Given the increasingly available resources available to SMEs, there is no longer any excuse to shy away from strategic business planning and ongoing monitoring.

People & processes – get these right and ease your stress

As engagement with remote employees or "gig" workers becomes the norm, processes will need to be dynamic and streamlined. Focusing on new ways of working along with smarter processes will be a key theme of 2017 and can also help ease the stress levels for business owners.

Stress and Lifestyle concerns rose from #5 in the 2015 SME research report to #3 in 2016. The majority of owners hold a belief that their business can't operate without them. To avoid burnout and missing out on family time business owners should invest focus in this area. Cloud based tools that allow time away from the business without compromising connectivity can also be a useful planning tool for business owners.

Actively managing cash

The record low borrowing rates of 2016 can't last indefinitely and cash should always be a key focus for business. Most businesses that fail still do so because of cash flow issues.

In 2017, we recommend using KPIs, benchmarks and cash flow planning apps to make cash management a priority for your business. Once you've harnessed your cash flow you can take advantage of business opportunities when they arise. BFM

About Prosperity Advisers Group
Prosperity Advisers Group is an independently owned business advisory and wealth management practice. Clients partner with Prosperity for strategies and techniques to minimise taxes, maximise profit, drive growth and build or protect their personal wealth. Kelly Chard is an Associate Director with Prosperity Advisers Group specialising in Business Services and Taxation in the firm's Brisbane office. Clients value Kelly's commitment to creating excellent outcomes and her emphasis on open communication and a deep understanding of her clients' financial, lifestyle and family goals. Over the past 15 years Kelly has developed expertise across a of sectors including medical and allied health, R&D, import & export trade and HNW individuals.

The culture of tradition and innovation

At a time when manufacturing is shutting down across a wide array of industries throughout Australia, **Rinnai Australia** built a new facility in Melbourne's south east last year. It was a bold move that not only consolidated its presence in Australia, but added another 160 staff to the payroll.

The logic is a strong mix of business acumen, with cultural principles and the desire to innovate in the local market. It also demonstrates how subsidiaries of well-known international brands can act in their own interests whilst remaining faithful to the parent company.

The starting point, says Rinnai Australia managing director Greg Ellis, is understanding that Rinnai Australia has "extreme levels of autonomy and authority" run by local executives, yet with respect to the history and cultural practices of its parent company.

"We're a fully owned subsidiary. We run Rinnai Australia as a profit centre and an independent subsidiary of the corporation," he says. "We are not restricted to trade purely with the parent. We're obliged to meet the requirements of Australian corporate law, as you'd expect, as well as the requirements of consolidation in Japan."

The marriage of the two companies, says Greg, is more to do with business culture.

"I think when you talk about the marriage of the company, we are fully compliant. We must comply with Australian law, with Japanese law, with all manner of other international law because we trade with other organisations, both in and out of the Rinnai stable. We adopt many of the Japanese business cultures in terms of shareholder respect, returns, strategic, our longer-term positions as well as short term horizons."

The autonomy has largely come from Rinnai Australia proving itself to the parent company over many years. With strong local knowledge, Rinnai Australia has developed new products that the market wants – and maintained a position as a market leader in an industry with many competitors.

"Several years ago it was very clear to us that the international global assault on fossil fuel was only going to increase in momentum," Greg explains. "When Rinnai first established in Australia it was a trading company, fundamentally selling Rinnai Japan appliances certified under Australian conditions, which were all gas appliances.

"It became obvious to us some time ago, and the strategy we put to Japan, was about diversifying and being able to invest in building footprints into a raft of different energy solutions. Going from the very high gas centricity of the company before approximately 2004, we have now moved into having very strong positions in the marketplace in gas, electricity, solar, renewables and other technologies such as hybrid technologies. That has been a good thing for Rinnai Australia."

The benefit to Rinnai globally is two-fold: it has a strong presence in the large Australian market, plus it has been able to use that market as a testing ground for global trends.

"Not surprisingly, Rinnai globally has followed Rinnai Australia's lead, and has been starting to build solar manufacturing facilities in South America. We've also been building hybrid facilities in Japan and China and the United States, all based on the Rinnai Australian models. That's a feather in our cap."

Despite the strong position in the market and blessing of a parent company, it could be considered a risk to invest serious dollars into a local manufacturing facility, but Greg is confident that it will work for Rinnai Australia.

"With the dollar sitting around the 75 to 78 mark we see that costs will balance out considerably with the likes of China – particularly by focusing on niche opportunities where the labour costs are not quite such a difference.

"We have a fantastic educated workforce here. We're able to exploit the fact that we have a solid distribution channel position in Australia, New Zealand, the Pacific Rim and in Southeast Asia through a raft of different Rinnai subsidiaries.

"When I look at it, investing in Australia is not such a silly thing; particularly with those constraints. It means we have automatic markets, and it means we can get the technology right. We can inject new innovation into the technology, which our corporation can then duplicate and parallel in other parts of the world."

Backing this position is the parent company – not only in business terms, but also in culture. The chairman of Rinnai, Susumu Naito, set a mantra for the organisation of 'Quality is our Destiny', providing a platform for the likes of Greg to pursue local developments.

"That's one of the differentiations with Rinnai, because we have a global $5 billion brand, and one of the key tenets that comes out of Japan is to not expose or put at risk the brand. It's a policy directive from our chairman in Japan; protect the brand through quality, through integrity, and pay your taxes. You won't find too many other companies that have those policies really work through in their mission statements and adhere to them."

This is particularly important in Australia where a lack of strength from government means there is a raft of sub-quality products on the market. In sectors like hot water and small electrical appliances it is common practice for companies to create 'certifiable prototypes' that are assessed and certified against Australian Standards, however not adhered to throughout full production. With no further testing required by the government after that test model – and no recognisable brand to protect – some companies will then drop the quality of materials or manufacturing and create a product that would not reasonably pass the Standards.

While Greg is clearly frustrated by the position, he rallies that the best thing to do is to continue to invest back in the country and ensure they control their own products and manufacturing. That, he says, is also a result of a strong local team who share the same vision.

"I think we have a very knowledgeable and aware sales and marketing culture. I think we are very much market driven, and I think we have a sales and marketing infrastructure that successfully works to connect with consumer sentiment trends, horizon scanning, and is able to turn that into solid and successful outcomes in the market."

This all lends itself to an organisation with strong cultural ethics, and a willingness to innovate and lead. In doing so, Greg is very honest about where he sees the industry moving in the future.

"I honestly think the products we make today are going to look very different to the products we're making in five to 10 years. They're going to look very different, they're going to feel different. They're going to have different functionality. I think the concept of embedded intelligence and communication capability in appliance manufacture is state of art now."

Of course, if Greg is right, then Rinnai Australia is in a very good position. Not only does it have the backing of a powerful parent company which encourages innovation, it will also have a local manufacturing plant which can help lead new trends and global movements.

If Japan is a country that manages to blend cultural heritage with modern innovation like no other – then Rinnai Australia must make the parent company very proud. BFM

How to nab those shopping cart abandoners – and get extra sales

By **Cornelius Boertjens**, managing director of Catchi

Various studies have shown that shopping cart abandonment is a huge problem faced by online retailers, with 60-80% of shopping carts being abandoned over the last eight years. Are all of those customers lost causes – or is there something you can do?

There's two things you can do: either get people to come back and finalise their purchase later, or influence a user to complete their order during the initial visit. Interestingly, only 8% of shoppers will return to make a purchase if you do nothing, but various remarketing emails by ecommerce marketers see a lift to about 18%, so it's worth your while trying a few things. Here are some approaches you can take.

EMAIL CUSTOMERS WHO ABANDON THEIR SHOPPING CART

Take action to improve your odds! Email is the best channel for this – in order to do so, you need to capture email addresses as part of your checkout process. For example, implement a pop up that offers a promotional gift in exchange for their email address. There are some guidelines to keep in mind with your follow-up email...

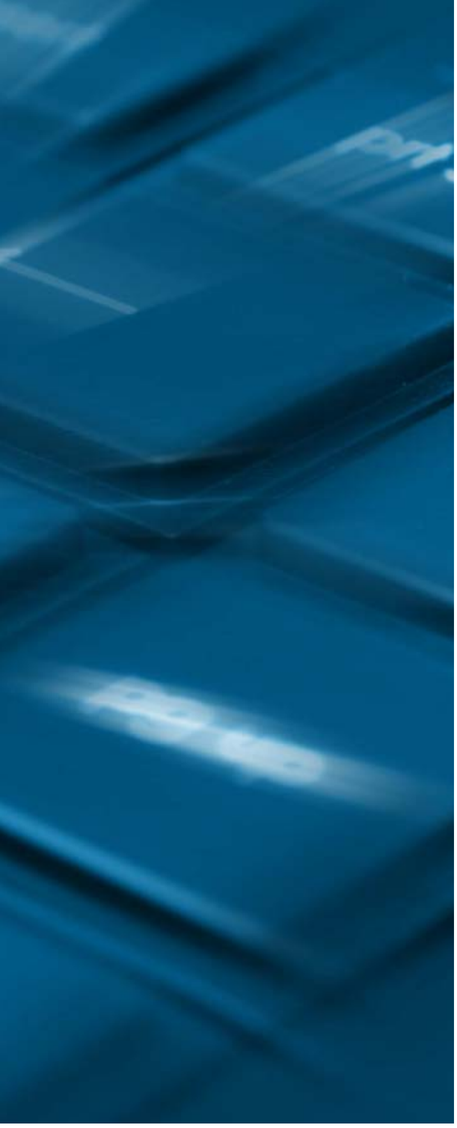
1.Be prompt.
Send the first recovery email out as soon as possible. About 60% of the Top 500 internet retailers do this already.

2. Be personal.
Persuade your customers to reply to your remarketing emails with any questions or concerns. Do not use a "no-reply" address – customers should be able to contact you if they need to. Try to use this as a way to start dialog with customers and expect to get responses from customers. Be personal, as in "Dear John," so customers know this is specifically in regards to their purchase.

3. Stay relevant.
Add related visual reminders to your recovery emails. Get your remarketing partner to populate related items such as names, imagery, and/or review items. They should also give you the ability to offer additional cart attributes such as cart value or other product categories – the more relevant the email is to the specific customer, the better your chances at converting them.

4. Segment campaigns.
Not everyone that abandons a shopping cart is the same and you want to prioritize those which are most profitable. To do so, section the abandonment campaign based on the value of the cart, products or specific items that are abandoned.

5. Include product images.
An image is worth 1000 words, so include them to help remind the customer why they wanted to make their purchase in the first place. Another tip: including an element of humor through an image is often effective in bringing a customer back.



6. Include a phone number.
It is important to make your business as accessible as possible. A customer may have stopped their purchase because of a concern they had, so make it easy to contact you. Include your phone number and other contact information. Having a call-tracking system to track and route phone calls that come in from recovery emails is important to correctly measure conversion rates.

7. Customer satisfaction reminders.
Remind customers that you care about how satisfied they are with the product. A warranty or customer satisfaction guarantee may be just what the customer needs to take the jump and make the purchase. Be sure to feature these in your email.

Does this stuff really work? Yes! Let's check out a few examples.

SmartPak Equine, a horse supply company, has excellent recovery emails. They send out emails one day after a shopping cart has been abandoned featuring the names and the images of products that where in the shopping cart, as well as the prices, the ratings, and a link to go back to the shopping cart. The emails also show a reminder of the company's "100% happiness guarantee", free shipping on returned items, free shipping on purchases $75 or more, and their price-match program. The case study showed that the campaign earns an average of $4.80 per email, and a 50% exchange from the readers that click through. Wow!

JetBlue uses a lighter, personal approach in their retargeting emails. They state that once they hit the right balance, they saw a 150% increase in open rates and 200% higher conversion rates than regular promotional emails which resulted in a 1,640% increase in profits.

ONE MORE THING...

It is a good idea to consider taking the recovery email further and turn it into a full sequence. Remarketing campaigns that send out three separate emails convert 26% higher than a campaign that only send out one email.

Here is an example of what an email sequence should look like:

Email #1: Send out within 30 minutes of the shopping cart being abandoned

Use a helpful customer service tone. The subject line should be something like "Oops...did you have a problem with checking out?" Include the phone number for customer service, 100% satisfaction guarantee and any other important value offer parts, with a single call to action. Do not bribe your customers because that will encourage them to abandon shopping carts in the future.

Email #2: Send out 23 hours after the first email

A second email should be sent out 23 hours after the first email if the customer does not respond to the first one. It would be about the same time they were originally shopping, which may be a good time for them to continue shopping. Offer a 10% off discount and include it in the subject of the email. Bear in mind that by offering a discount in your second email, you might risk people abandoning carts on purpose on future shopping visits. Offer a coupon code that is hyperlinked to the customers' shopping cart, applied automatically, and add a major call to action that encourages customers to complete their purchase.

Email #3: Send out 6 days and 23 hours after the second email, exactly 1 week later at the same time as they began shopping

If the customer has not completed their purchase about 4 days after the second email was sent to them, send them an almost identical email to the second one. Subject line should say "Finish your order and save 10% off your order".

The first email in this sequence has the highest chance of recovering the cart, and the third has the lowest chance because leads get cold very fast.

As we have seen, shopping carts are not a lost cause just because they were abandoned. Both Jet Blue and SmartPak Equine have driven significant results with proper remarketing strategies. Use the guidelines and tips provided above, to follow up with your customers and guide them through the checkout process. Congratulations: you now have another tactic to increase your bottom line. BFM

Cornelius is the managing director of digital conversion specialist company, Catchi. He and his team of 12 help medium to large businesses convert website traffic into online sales and leads. Catchi has offices in both Auckland and Sydney and counts Genesis Energy, Air New Zealand, Southern Cross, Aussie, TAL, Ticketek and Mitre 10 among its customers. Their work with Spaceship Rentals resulted in a 25% increase in online sales; Stray saw a rise of 28% in their e-commerce conversion rates; and Consumer's overall revenue had a huge uplift in just 9 months. They are an authorized Google 360 reseller, Oracle Partner and Optimizely 3 star partner.

AVOID DIGITAL FAILURE

This glimpse of the future was crafted by **Danielle Bond**

Look around you the next time you catch a plane or wait in a queue at the bank – everyone is on their smartphone, faces buried in a sea of emoticons, 24/7 email and constant notifications from social networking sites. The iPhone has been hailed as an intuitive, fast-fix for the technically challenged amongst us. Buy an iPhone, and your individual 'digital strategy' solutions are solved.

In the same way, countless organisations are looking to software vendors to solve their digital woes and the adage "There's an app for that" is fast becoming synonymous with streamlining core business processes. Sometimes, this equates to being smart about things – but are we relying too heavily on these conglomerates for our digital strategy?

In a world where 'buying' an individual digital strategy has become as easy as purchasing an off-the-shelf smartphone – what will it take for organisations to own their digital destiny – and why do they need to?

THERE'S VALUE IN IN-HOUSE!

To secure the possibility of 'connecting the dots' between its projects, and through this the possibility of evolving, a company must take charge of its own digital strategy. Sometimes, this means moving away from vendor solutions to in-house innovations because plainly put, there's no copy and paste for innovation.

Uber, for instance, made a decision to forego a vendor-owned operating platform. Choosing instead to remain in charge of their destiny, and acutely aware of the value of the commuter data they were collecting, they built their own. This alone has helped secure them a future in which they can choose to evolve. Next level expansion into, say, transportation modelling; dynamic pricing of their services based on demand; and even collaboration with city authorities based on their monopoly is possible. They've secured their future.

Likewise, The Economist is calling McLaren a tech company amongst 'speed merchants'. All carmakers are "in the business of hurtling drivers towards

200mph" (The Economist), but McLaren realised success off the back of selling its cars as the most technically advanced.

It has renamed itself McLaren Technology and Ron Dennis, its boss, is convinced that McLaren's tech business will be its "biggest and most important part in years to come..."

Using skills honed in analysing the vast quantities of data generated by motor racing, it is developing analytics software for the likes of GlaxoSmithKline and KPMG.

It's good to look to your vendors, but it's better to look to your clients

The first rule of product development is understanding, but this is often also the most forgotten.

Large organisations build their success upon providing customers with what they want. They match a product with a need, and they charge for doing so. Nowadays, it's pretty easy to match an off-the-shelf digital product with a legitimate digital need.

In the world of infrastructure we use Building Information Modelling (BIM) software to conduct Building Information Modelling; we use architectural drawing software to produce architectural drawings. But what happens when there are too many of us doing things in this way? Often times, we're not peddling the 'best solution', just the easiest one, and engineering and architecture services have been rapidly commoditised upon this precept.

Sometimes, it's only through truly empathising with not only what a customer wants, but why they want it, that will lead to the creation of innovative experiences and products that together form the basis of new digital services. Professor Clayton M. Christensen, one of the world's foremost experts on innovation and growth, believes executives fail because they don't ask the question: What job would consumers want to hire a product to do?

Christensen writes in his book Theory of Jobs to Be Done: "When we buy a product, we essentially 'hire' something to get a job done. If it does the job well, when we are confronted with the same job, we hire that same product again. And if the product does a crummy job, we 'fire' it and look around for something else we might hire to solve the problem." A bold digital strategy based on a previously uncovered customer need will lead to new ways of operating and new capabilities.

Organisations need to take the time to stop and think about a client's brief. They should interrogate it from every angle so that the macro-solution they eventually create is the result of answering the multiple micro-questions that they have unearthed throughout this painstaking, yet purposeful, process.

The benefits of this diligent and future-focused approach will stand the test of time and create long-term value from using sustainable, renewable and flexible models, built with the most up-to-date, physical and digital, tools and applications that are available today.

BEWARE THE SPEED MERCHANTS

If we created a blueprint for digital failure, it would have at the very top of that list a propensity toward haste. Products are slapped with the words 'plug and play' and 'all in one' and suddenly everyone is in the queue for that 'something new'...until it fails.

Digital strategy isn't an overnight recipe and doing 'the next big thing' isn't necessarily the next right thing. Only thinking in the here and now and imagining solutions based only upon your current reality is a sure way to fail. What we need are more solutions that solve not only today's digital dilemmas, but tomorrow's as well! Organisations must keep one eye on the here and now, but also look ahead and plan for a future which is only predictable in its uncertainty.

If we want to gain control of our digital destiny, we need to stop allowing vendors to drive our digital strategy. **BFM**

Martin Sparkes, Managing Director

Using Technology to Help Sell More and Service Better in 2017

Organisations investing in technology is nothing new. For decades, companies have invested in technology to improve workplace productivity and efficiency. However, research has found that few organisations are leveraging their investment in technology to drive the part of the business which generates the most revenue – Sales.

CSO Insights, the research arm of Miller Heiman Group, has uncovered a major gap in how organisations invest in technology to enable sales. Three key insights came out of their latest Sales Best Practice Study:

- 72% of organisations say their CRM doesn't help with sales productivity
- 76% of organisations surveyed said their organisation wasn't leveraging mobile applications to improve sales productivity
- 75% of organisations don't have a single source for sales collateral and the sharing of best-practice

In the same piece of research, **80% of World-Class organisations** – the best of the best – said:

- Our CRM significantly improves the productivity of salespeople;
- We effectively leverage mobile applications to improve salesperson productivity; and,
- Our sales team relies on our knowledge management system as a single source for collateral and information.

Clearly, world-class organisations are investing in technology to enable sales, but to what effect?

THE POWER OF ENABLING YOUR SALES TEAM

What is Sales Enablement?

Sales enablement is a cross-functional focus which is designed to increase sales results and productivity by providing integrated content, training, and coaching services for members of the Sales team. Critically, this enablement is often powered and driven by a number of technology solutions.

Key for enablement programs are setting up specific trackable metrics, and the ongoing maintenance of sales results. Part of any good program identifies which metrics need to improve to hit quota, and which enablement function can support this initiative.

Research across Australia's leading sales organisation has shown that those with a cross-function enablement program **consistently outperform their counterparts by 10% for business revenue attainment** – which is a huge margin!

IMPEDIMENTS TO ENABLING YOUR SALESFORCE

While enabling your sales force through technology sounds simple enough, not all users will be tech-savvy 'modern learners.'

Industry research on Sales enablement has identified the need for organisation to cater to different types of learners across different learning platforms. These can include: face-to-face, digital, or hybrid learning - which is both online and offline

Without a robust system for catering to each learner's unique requirements, enablement may not prove to be an effective investment.

Also, there may be other internal issues which organisations face when looking for an enablement function. These can include:

- **The opportunity cost of training** – often organisation struggle to justify the cost of having people in training, the logistics and travel alone can cause a loss in valuable selling time.
- **Getting scale and actionable results from a training event** – often 70% of learning from a training program is forgotten in 90 days.
- **Time!** - often your Sales team will simply not have time to

attend 2 or 3 days of training seminars.

THE NEXT FRONTIER OF SALES ENABLEMENT AND PERFORMANCE

Miller Heiman Group (MHG) is a unification of leading brands such as Miller Heiman, Huthwaite, AchieveGlobal, Channel Enablers, Impact Learning Systems, and CSO Insights. For more than 40 years, MHG has been working to embed proven, repeatable, scalable methodologies, based on best-practice research into Sales.

Based on industry research, MHG has embraced technology to support Sales enablement, ensuring the organisations we serve have access to an integrated solution, connecting internal and client facing content.

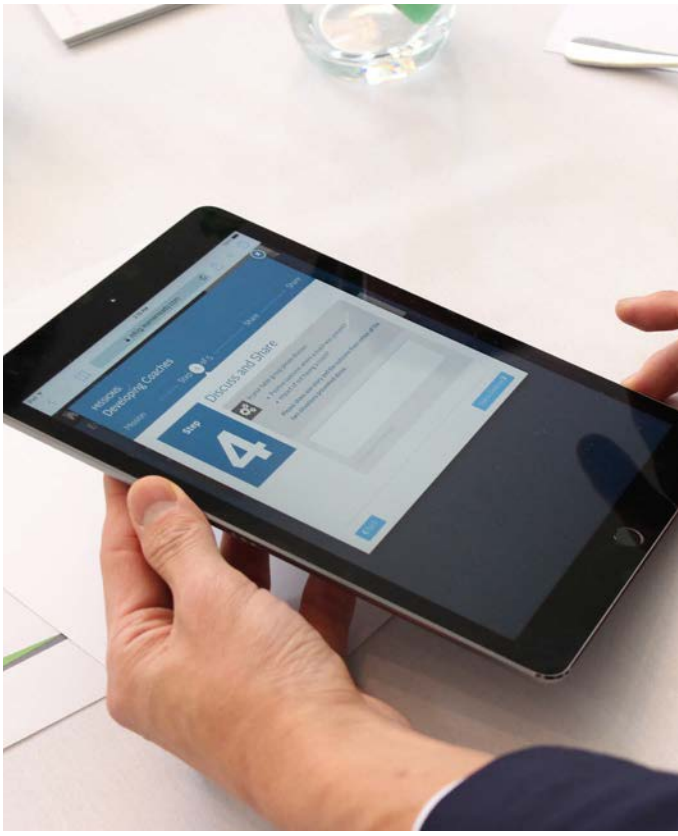
The Miller Heiman Group Enablement Platform allows you to:

- Provide on demand training services
- Provide coaching guidelines for each stage of the customers' journey
- Allow Sales or other customer facing roles to access content to support their current and ongoing opportunities
- Access materials catered for each stage of a customers' buying journey, industry, level of buying influence, or bid strategy

MHG has already rolled this out to several of Australia's largest organisations. So far, they've recorded a shift from simple individual skill development, to overall organisational performance improvement. For your business, this takes the shape of:

- Sales and Service content, applied in real-life scenarios
- Proactive support for Business Leaders and their organisations
- Leadership and Professional Development
- Bespoke onboarding and product training content
- Customer and partner enablement
- Accreditation programs

Overall, the MHG Enablement platform ensures your sales teams and client facing personnel are supported by technology through a highly personal, integrated, cloud-based solution. BFM



80% of World-Class organisations – the best of the best – said: they effectively leverage technology to improve salesperson productivity

MOTIVATING STAFF STARTS WITH ONE QUESTION GOOD LEADERS FREQUENTLY ASK

Business large and small across Australia are struggling with a common topic - staff motivation and loyalty. More and more we see people leaving companies and switching jobs every 2 years or less. This is not a good indicator when you're looking to hire, as what every business owner wants is loyalty in their team.

A recent survey of 4,800 Australian workers found less than half were happy in their existing employment. Is this because they are not receiving the recognition they feel they deserve? And from whom are they expecting it from?

Many people expect this recognition and acknowledgement to come from external sources, like the boss or collegues. This is part of the problem.

The solution lies in one simple question you can ask every single staff member no matter what size your company:

Have you acknowledged yourself?

By asking this question you will ensure that your team recognise their own achievements, cross off their own finish lines, and get a simple reminder to give themselves a pat on the back.

This enables your people to move on to the next task quickly as they have acknowledged their own achievements themselves instead of waiting for accolades from an external source – you the boss.

I'm sure everyone has been in a work environment where a staff member has reached a sales goal or went above and beyond for a presentation but victory for them has turned into sour grapes due to a lack of recognition by others.

Staff who have not yet learnt the art of self acknowledgement and leadership will often expect the boss or colleagues to sing their praises around the office about their accomplishments. If this does not happen the person becomes disillusioned and resentment can creep in quickly.

This can have a devastating impact on the culture in the workplace with the negativity bringing down staff morale.

It also prevents the staff member from being focussed on their next work project as their expectations have not been met, leaving them distracted and disappointed.

This is why it is important to ensure people acknowledge their own accomplishments. If they do this it will instill confidence in themselves and remove resistance to continue producing.

Great leaders simply ask "have you acknowledged yourself?" – The question and answer might be a conversation that takes less than a minute but it will have a big impact.

An acknowledgement ends a cycle. If we look at communication, I might ask a question – "Is water wet?" – which would get an answer – "Yes" – and the cycle is ended when the answer is acknowledged – "Thank you." In this case, you'd automatically move on from the conversation and not think about the question again – the conversation is over.

If I asked you that question again, you responded "Yes" and I proceeded to look away from you and pretend the conversation never happened, you'd be left wondering and waiting until I acknowledged you.

The same goes for workers who haven't learnt to recognise their own efforts. When you start something, you've opened a cycle. That cycle can be continued for as long as you want. Just like the communication example above, if the cycle isn't ended, it feels "off". Acknowledgements end the cycle. The most effective acknowledgements are those that are self directed. It builds self esteem and self confidence which are intrinsic in business growth and success.

These are self leadership skills and they create an environment where even if mistakes are made people are able to learn from them.

The biggest mistake a boss can make is to jump in to fix problems for their team. It's the wrong flow and it teaches your team to give you problems. It's far more beneficial for you and for them to ensure that they solve problems for you.

Get this working for you, and you will watch staff take ownership of their job and their own accomplishments. Watch them own their mistakes and fix them.

People like being challenged over having it easy. Challenging people creates growth in the person and people are more likely to be loyal to someone who helped them grow. Loyalty will save you thousands in recruitment costs. Employee resignation or dismissal can cost an employer between half and two-thirds of the employee's annual salary.

Invest in staff by helping them invest in themselves and watch your business grow. **B**FM

Mike Irving has over 20 years experience in recruitment, leadership, team culture and business growth. http://advancedbusinessabilities.com

5 Skills Talented Mumpreneurs, CEOs and Parents Have in Common

More and more women are choosing to go back to work or start their own businesses after having children. According to an Australian Government study commissioned by the Office for Women, 47 per cent of women business owners have dependent children living in their household. In the USA, 70% of mothers with children under the age of eighteen are working or looking for work says the 2015 US Bureau of Labor report.

As the number of mumprenuers grows around the world, so does the acknowledgement of how parenting skills used at home are not only similar to those in the workplace but also very valuable.

Here are 5 skills that are key to success as a parent, mumpreneur and CEO.

1. Ability to Foster Leadership - An effective leader recognizes that they don't have to do it all on their own. Instead of micromanaging or being a 'helicopter parent', empower your employees and your children. This contributes to everyone in the business or family. Invite people for their input and awareness in different situations. Encourage kids and employees to make choices on their own. Instead of trying to control or manage, invite others to create their own roles and jobs.

Ask, 'How would you do this?' 'What ideas do you have to resolve this conflict?' Gain a new perspective while empowering them to become leaders in their own right.

If there are 3 tasks or chores to do, ask, 'Which would you like to start with?'. Enthusiasm fills the work when people are doing what they find fun and easy.

2. Adaptability - One of the most sought after qualities in the current workplace is the ability and willingness to change. No matter what field your business is in, current technology, global trends and social media are changing faster than ever. If you form a conclusion about how your business has to operate, you are blocking new possibilities from showing up. You will miss out on the change and opportunities that could grow and expand your business.

The same holds very true in a family. Kids change all the time; it is one of their greatest gifts. They are willing to change their mind, adapt a new opinion and completely change their point of view in minutes. As a parent, if you can see the gift in that, you allow your family to continuously grow and experience new things. It also invites the joy of learning new things and trying new experiences that may not only benefit individuals but the whole family or business.

3. Innovative Thinking - Thinking outside of the box is a quality any parent and CEO highly benefits from. Creative thinking actually comes from a sense of wonder, curiosity and asking questions. We can all get set in our routines - whether at home or work. Instead, when we ask questions like - 'What else is possible?', we get out of ruts and into new ways of doing and creating. There are so many new possibilities available, yet we often never ask questions to open the doors to new ones. The less we come to conclusion and think we have it right, the more we can see things from a different angle which creates happier families that have more fun and businesses that are willing to take risks and reap the rewards.

4. Great Communication Skills - Whether you're a mom talking with your kids or a CEO running a boardroom meeting, you need to be a good communicator. It's easy to get caught up in planning what is the 'right' thing to say. But instead, listening and asking questions is the key to good communication. If you assume you know what your child or employee is thinking, you most likely have missed any chance of true communication. Ask questions, make no assumptions, and be truly present for their answers (which means not thinking and planning your next thing to say!). You just may learn something new about your kids and your employees!

5. Positive Mindset - It's easy to be your own worst critic - whether you think you're being a bad parent or ineffective at work, it's usually based on the judgment that you've done something wrong. That way of thinking only sends you into a spiral of negativity. Instead, here's a new way of looking at things. No matter what has just occurred - a child's public temper tantrum or an employee's fit of upset, ask the question, 'What's right about this I'm not getting?' and 'What's right about me I'm not getting?' It allows you to see the situation in a whole new light. Instead of getting caught up in the trauma and drama, you are able to have more clarity and also a different, more positive perspective.

The skills you may have thought were only valuable as a parent can be a great contribution at work and vice versa. Mumpreneurs are paving the way so there need not be separation between who you are at home and how you choose to lead at work. By allowing both areas of your life to contribute to each other, success and new possibilities available can continue to grow and expand. BFM

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CEOs pledge to 'Pass the Book' and rewrite a child's future this Christmas

United Way Australia is continuing its mission to end the cycle of disadvantage in Australia through its annual Gift of Reading fundraiser with a challenge to CEOs to 'Pass the Book' to other CEOs to encourage more Australian companies to sign up.

The annual workplace fundraiser delivers life-changing early literacy support to thousands of Australian children. It provides a year-long supply of books and reading resources to children and their families in communities where a high percentage of children start school 'developmentally vulnerable'.

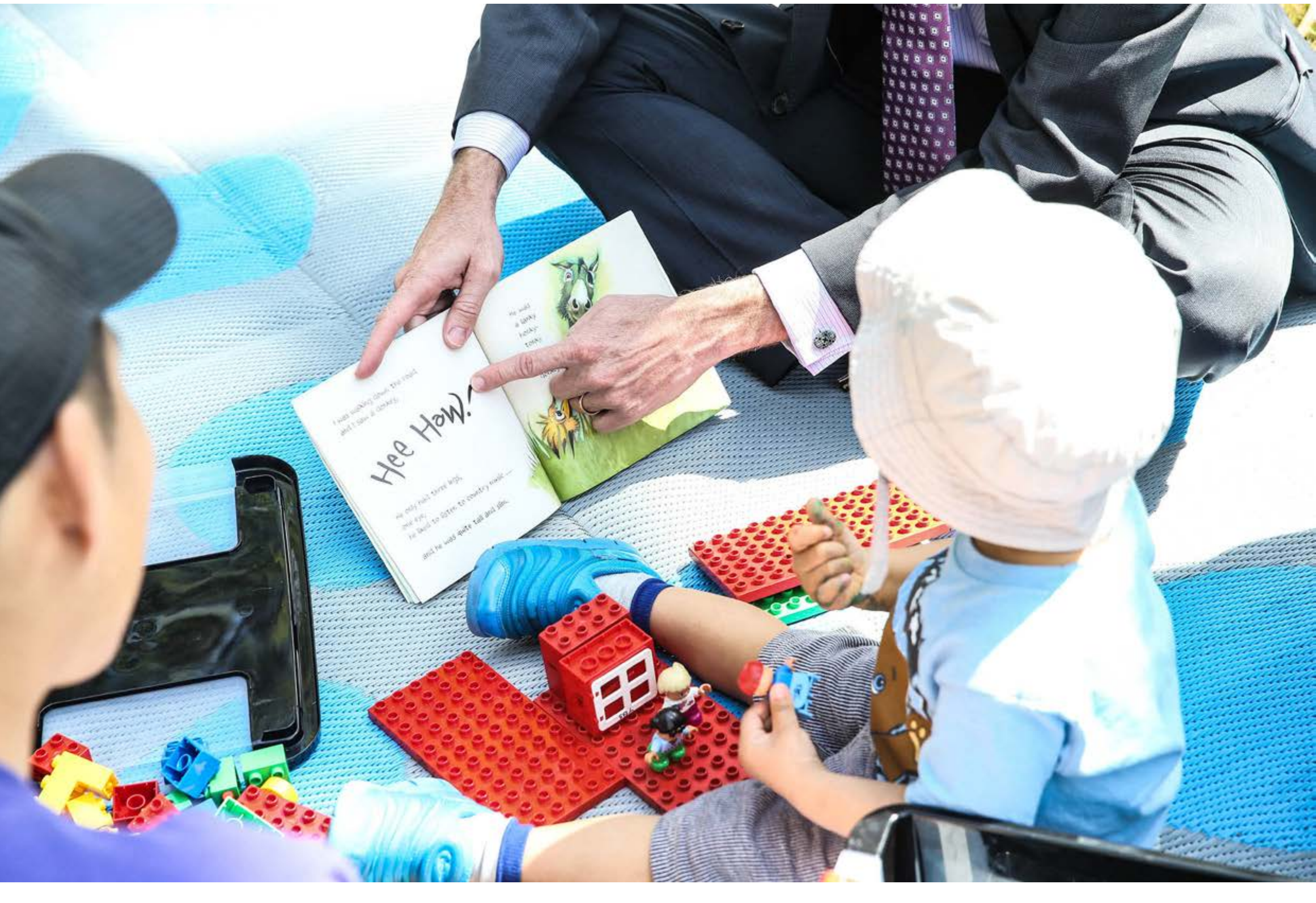
Participating company, Macquarie Telecom's Managing Director, Aidan Tudehope, nominated Danone Nutricia's Managing Director, Corine Tap, to take part in the Gift of Reading this year and commit the company to raising money for early childhood literacy.

"Macquarie Telecom has been a long-time supporter of the Gift of Reading fundraiser because it not only lets us engage with our employees but reflects our value of early literacy and our collective desire to help rewrite a child's future," explains Mr Tudehope.

"We all benefit when children and young people thrive, and we all have a role to play in helping children reach their full potential."

The first five years of a child's life are critical for their development and the quality and quantity of early childhood education directly impacts brain development and cognition.

However, more than one in five Australian children begin school without the skills needed to read, learn and succeed . That figure is



even higher in low socio economic communities, where children are not only at greater risk of starting behind, but falling further behind with each school year and never catching up. This can lead to a lifetime of disadvantage, with poor adult literacy linked to higher levels of unemployment, lower incomes, higher rates of welfare dependency and substance abuse.

As a mum and CEO of a company with a big focus on early life nutrition, Danone Nutricia's Corine Tap knows the significance of nutrition and education in giving a child the best start for a healthy life.

"There is nothing more important than providing a solid foundation for a child, especially through something so simple and taken for granted as reading, which is why Danone Nutricia is glad to participate in the Gift of Reading this year."

As little as $15 can help give an Australian child a better start in life. Donations go towards providing monthly books to children aged 0 to 5, as well as resources for their families to give them the skills and confidence to read with their children.

"United Way is working to end the cycle of disadvantage by collaborating with businesses to improve early childhood development and youth employment in communities of disadvantage," says Kevin Robbie, CEO of United Way Australia.

"By signing up to United Way's annual Gift of Reading fundraiser this Christmas, you and your company can directly contribute to the literacy skills and long-term learning outcomes of thousands of Australian children," says Mr Robbie.

Early intervention is the most cost-effective strategy for producing higher reading results in school, and the most successful programs target both child and parent. While shared reading is the most commonly cited home-based literacy activity influencing a child's reading development, parents with poor literacy skills are less likely to buy books, visit libraries or read with their children.

The work of United Way Australia assists communities across Australia to ensure every child can read, learn and succeed in life. Over 100,000 books have been distributed to children from birth to five years of age.

Last year The Gift of Reading raised $60,000, allowing United Way to support hundreds more Australian children to improve literacy and get a chance for a better life. Over 7,000 at-risk children have been reached.
Donations can go a long way:

- $15 could provide a book for a child in a disadvantaged community
- $60 could develop resources to help a low literacy parent read with their children
- $180 could deliver 1 year of books that help a child start school ready to read
- $900 could deliver monthly books to a child from birth until age 5
- $9,000 could provide 50 children with monthly books for a whole year!
- $18,000 could enable 100 children to receive books for a year

The Gift of Reading lasts a lifetime and it is simple to get involved. For more information, or to register your workplace, visit http://unitedway.com.au/get-involved/the-gift-of-reading. BFM

[1] *The Economics of Inequality - The Value of Early Childhood Education, By James J. Heckman (2011) http://files.eric.ed.gov/fulltext/EJ920516.pdf*
[2] *Australian Government 2015, Australian Early Development Census National Report 2015: A Snapshot of Early Childhood Development, Australian Government, Canberra.*

Workaholic Australians encouraged to take up mindfulness meditation to reduce stress and boost resilience in the workplace

Australian full-time employees work some of the longest hours in the world. One in five Australian employees has taken time off in the past year due to feeling mentally unwell[1]. Businessman and former president of AFL team Western Bulldogs, **David Smorgon** OAM is encouraging Australians to take time out to meditate to reduce workplace stress and boost resilience and concentration.

It is estimated that untreated mental health conditions cost businesses approximately $11 billion every year, as reported by PwC[2]. Research shows that every dollar spent on identifying, supporting and case-managing workers with mental health issues yields close to a 230% return in improved productivity and reduced leave time[3].

"Mindfulness practice gives you that space to reflect," explains David. "Business leaders are charged with the responsibility of creating environments in which our colleagues and teams are nurtured and energized, our organisations innovate and flourish. Taking a moment or five each day to press pause can make a world of difference to ourselves and our leadership approach."

The busy businessman is also helping to create a mindful movement, as an ambassador for mental health organisation Smiling Mind and their awareness campaign that's encouraging all Australians to open your mind to meditation and

better mental health.

The tech-based not-for-profit, Smiling Mind has experienced strong demand from corporate organisations in relation to pre-emptive support, and offers face-to-face workshops and a specifically designed online program, which provides employees with evidence-based tools to improve productivity, reduce stress and anxiety, promote mindful leadership, and increase resilience.

Australian tech entrepreneur, Jane Martino who co-founded Smiling Mind explains, “We started Smiling Mind to offer modern meditation because it’s beneficial in our own lives. Our app was originally designed for children, but after experiencing a growing demand for corporate workshops and an app that caters to the stressed and time-poor employee, we developed the Smiling Mind Workplace Program and have expanded our reach to a new audience”.

Mindfulness awareness is an extremely important business skill. Smiling Mind’s web and app-based innovative meditation programs, developed by psychologists, are based on mindfulness meditation techniques. The Smiling Mind app and Workplace Program is being used at a growing number of companies, including IBM, Nike, and BP, to help staff deal better with workplace stress and increase resilience and concentration.

There is an overwhelming amount of evidence to support the benefits of mindfulness in adults. The universities of UCLA, Harvard, Oxford, Monash and Johns Hopkins have all undertaken studies on mindfulness meditation, proving that regular practice helps combat stress, improves focus and increases resilience. Brain imaging has also shown that meditation even changes the brain, and the areas responsible for reactions and responses to stress.

Smiling Mind has reached over 1.4 million people worldwide since it began in 2012. They aim to see mindfulness meditation become a part of everyday Australian’s lives from a young age, and on the national Australian school curriculum by 2020.

Anyone can join the mindful movement for better mental health. Download the free app from the iTunes store or Google Play or visit smilingmind.com.au to learn more about the Workplace Program. For more information on Smiling Mind’s Workplace Program visit https://smilingmind.com.au/our-programs/mindfulness-in-the-workplace/ **B**FM

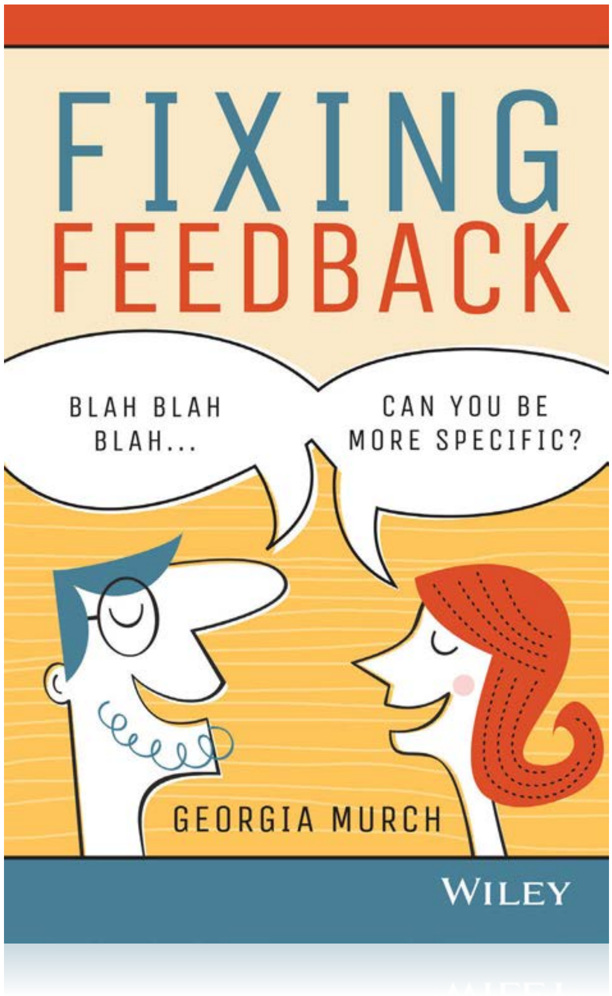
[1] *(TNS & Beyondblue 2014: State of Workplace Mental Health in Australia)*
[2] *(PwC 2014: A mentally healthy workplace: Return on Investment Analysis)*
[3] *(As above)*

THE LEADER'S BOOKSHELF

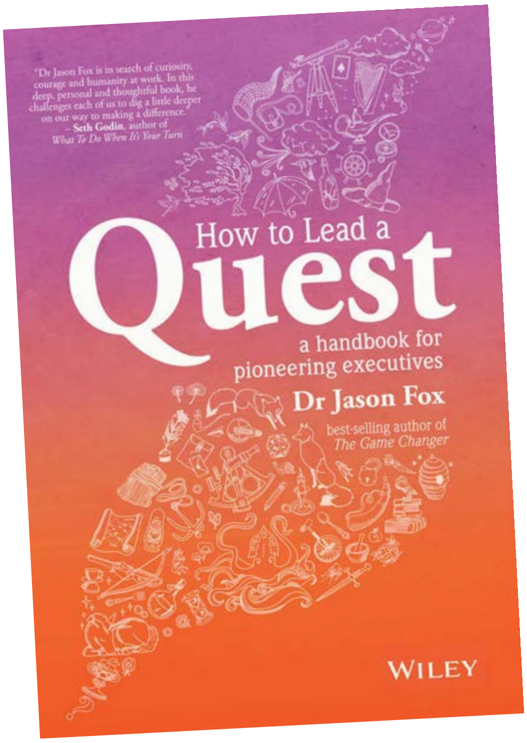
Reviews by **Daniel G Taylor.** Several of the books I've read over the past few months have revealed an important lesson: it's easy to lose sight of your chief aim in business: making a profit. Here are the books:

Marissa Mayer and the Fight to Save Yahoo! *by Nicholas Carlson*. Yahoo! never succeeded in working out what business they were in. Blind luck carried them to early success, but they never developed a sustainable business model. Mayer was appointed CEO in the hopes she would turn the business around. She failed. In July this year, Verizon bought Yahoo! perhaps ending the story.

Hire Love: How to Hire Passionate People to Make Greater Profit *by Christine Khor*. Passionate people are emotional people. Passionate people are irrational people. I'm unclear why the author expects that hiring these people will increase profits.



Fixing Feedback by Georgia Murch**.** Success in leadership, work, and life comes down to your ability to have the tough conversations when an issue comes up. Murch places some emphasis on character over technique, although not as much as Stephen R. Covey in Habits 4, 5, and 6 of *The 7 Habits of Highly Effective People: Restoring the Character Ethic.* Bottom line: lack character and no amount of technique will save you.

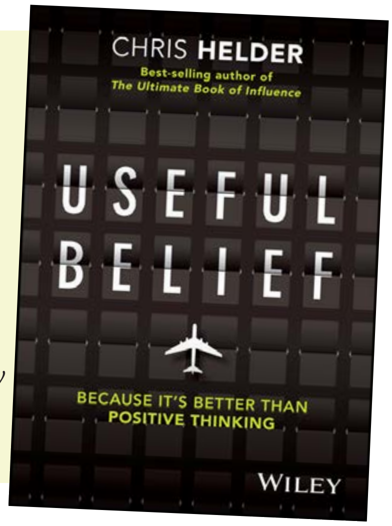


How to Lead a Quest: A Handbook for Pioneering Executives by Jason Fox. This book has fresh ideas written in a quirky style that matches the topic: innovation. Likewise, The Innovation Formula: The 14 Science-Based Keys for Creating a Culture Where Innovation Thrives shares 14 scientific methods for creating an innovative culture. The unanswered question both books left me with was, 'What does innovation have to do with making a profit?' Answer: diddly squat!

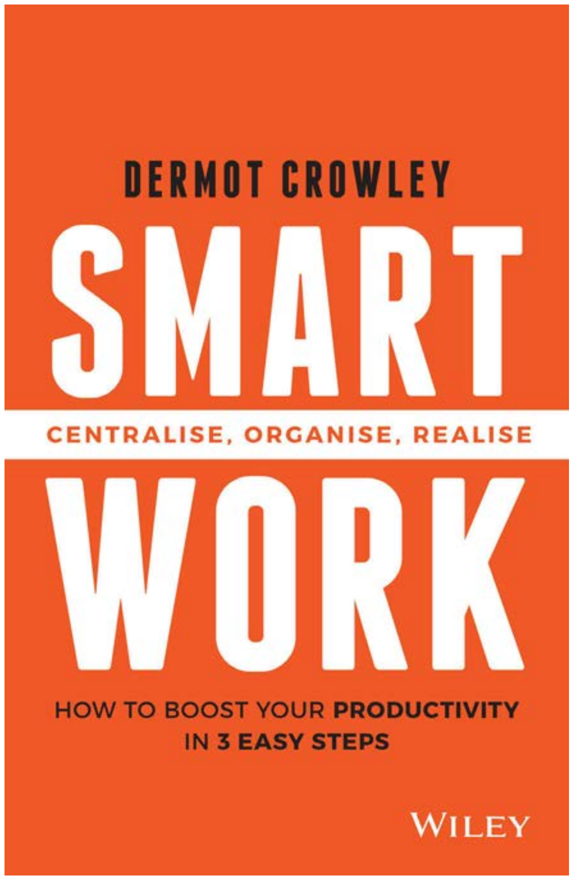
Ego is the Enemy *by Ryan Holiday*. Adam bought me Ego for my 41st birthday. Holiday stands apart from most contemporary writers, crafting timeless wisdom literature rather than quick-fix self-help. Ego is the Enemy teaches the path of humility. He argues that promoting yourself and your achievements is a bad thing. Each chapter is a painful lesson that will make you face yourself and realise the need to keep your ego in check.

Full Catastrophe Living: Using the Wisdom of Your Body and Mind to Face Stress, Pain, and Illness *by Jon Kabat-Zinn*. Another habit I've embraced since meeting Adam has been the daily practice of mindfulness meditation using the Headspace app. In Full Catastrophe Living, Kabat-Zinn explains the science of behaviour medicine that underpins mindfulness, meditation, yoga, and pain management. Since reading it, I've mindfully practised yoga for 15 minutes a day using the SworkIt app. *The Mindful Leader: 7 Practices for Transforming Your Leadership, Your Organisation and Your Life* by Michael Bunting explains how mindfulness can make you a better leader.

Useful Belief: Because It's Better Than Positive Thinking *by Chris Helder*. One of the principles of Acceptance and Commitment Therapy (ACT) – the psychological approach I use to handle challenges and thrive – is that rather than labelling emotions, beliefs, or thoughts as 'good' or 'bad', you simply ask, is this sensation 'useful' or not? Helder uses the concept 'useful belief' in the same way. At 96 pages, however, this book lacks detail. Instead, I recommend *The Happiness Trap: How to Stop Struggling and Start Living: A Guide to ACT* by Dr Russ Harris.



Smart Work: Centralise, Organise, Realise: How to Boost Your Productivity in 3 Easy Steps *by Dermot Crowley*. This book would have been OK, but Crowley steals his system from *Getting Things Done: The Art of Stress-Free Productivity* by David Allen. He never mentions GTD even though it's clearly the foundation of his system. Don't bother wasting your time with this book when you can go straight to Getting Things Done and get the full system.



If you've read a great book, please email me and tell me about it at daniel@danielgtaylor.com.

The Soul of Surfers Paradise

When I was a kid, Surfers Paradise on the Gold Coast was the place my parents took me for summer holidays. It was two parts adventure and one part reason to break Melbourne's winter monotony which today seems to have extended into November. Story by Jonathan Jackson: Pics by **Show & Tell Imagery.**

For a young teenager it was an adventure: this was a strip of beach which was in its infancy, but fast growing into – if you'll pardon the pun – a growing high rise paradise shielding Cavil Avenue where you could at eat at Charlie's (which after 30 years still exists) and Grundy's, where you'd meet your mates for a hookie challenge.

Grundy's is gone, replaced by Timezone, and the waterslide once on the corner of Cavil avenue and the highway overlooking the sand and surf is now a theme park ticket seller of which one is Wet 'n Wild, where you will find much bigger, larger and faster waterslides to satiate adrenaline junkies.

Also overlooking the beach today is the aptly named Soul, which over the last five years has forged its own identity in this high traffic Gold Coast entertainment precinct and continues to improve after being acquired by Peppers last year.

Soul is a luxury hotel with sky and water views and its own boardwalk where you'll find some of the best restaurants in the area: fancy some ribs, hit Hurricanes; want a five star feast, the hotels' hatted Seaduction is the place to be seated.

Seaduction is a formal, almost insular dining experience in the midst of the outside Gold Coast carnival. Tables overlooking the ocean come at a premium, but the most impressive aspect is the private dining room which seats

10 and looks into an exquisite cellar stocked with some very fine bottles of wine. It would certainly be the perfect place to gather your closest friends, or have a small business gathering and enjoy the atmosphere.

If the fine dine experience isn't your thing, there's plenty more culinary experiences to enjoy. For a Melbournian who lives close enough to Australia's Greek capital Oakleigh and loves the odd Souvlaki, the Greek Street Grill on Soul Boardwalk more than hits the mark.

There are so many food options on this boardwalk alone that join both Cavil and Orchard avenues that you can expect to add a few kilos to the waistline. I'd suggest tempering overeating with an end-to-end walk or jog along the beach in the morning before the heat becomes too intense.

So far this may seem like a travel piece about food, it is not. Soul is a multi-function hotel catering for business trips, major events, conferences and families.

If you are travelling for business or looking to book conference facilities, Soul has three conference rooms of various sizes, the biggest of which can host up to 200 people and the most intimate in Soul's boardroom hosts ten. This is certainly one room which sums up the hotel's luxury feel: it is intimate, has a knights of the round table feel and like all events held by Soul is catered by Seaduction.

Think Directors retreats, boardroom lunches and spruiky or hopefully spruik-free property or finance conferences and you get a sense of the range of events Soul can deliver – hassle free.

It's even suitable for weddings, with the restaurant, foyer and secret garden all providing the perfect backdrop for a special day.

Packages can be developed to suit particular budgets, but your venue hire will start at around $1500.

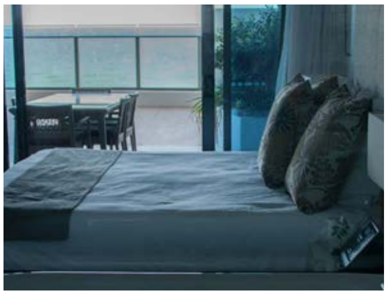
On this trip we splurged a little – having not been on a real holiday for some years – and booked ourselves into a plunge pool room. This was a two-bedroom apartment, with a large balcony consisting of barbecue area and a plunge pool overlooking the beach.

The sun rises early and it's worth getting out of bed one morning just to see it come up. It's then worth jumping in the 26 degree pool for a swim in the sun. The only issue with the plunge pool room is the sun's shift behind the hotel and the subsequent whipping of the wind, which can make an afternoon swim a little cool.

Each apartment is fully equipped, although only two have balcony pools, and each has either a view of the ocean or sky. Go a little higher into some of the more prestige apartments and you have a view of both the beach and the city.

Take the elevator up again to the sub-penthouse level, where private functions may also be held as long as you have a minimum two night stay, and you get a real sense of the CEO lifestyle.

The sub-penthouse we visited was a three-bedroom, pristine apartment replete with an



entertainment room, large dining area, lounge and incredible views. A caterer would also be pretty happy with the kitchen facilities.

As a privately owned apartment (Soul has a letting pool of approximately 200 apartments), it is fashioned with artwork chosen by the owner. This particular apartment was very tastefully put together.

The prices for the apartments do vary based on season, time of year and what your requirements are, so best to check with the hotel itself to find a room that suits.

Soul rises 77 levels above Surfers Paradise and includes indoor pool, outdoor pool, spa, gym and sauna facilities and unique works of art.

It is as inviting as Surfers itself (outside of schoolies week) and offers the perfect getaway for families, friends, executives looking for a comfortable place to stay and businesses looking to wow staff and clients in a place that offers everything you could want. BFM

The 2017 ŠKODA – ups the ante

We here are at *Business First* hadn't heard too much about ŠKODA before looking into the car for this issue. However, what we had noticed was their growing proliferation on the road. It seems ŠKODA is gaining a foothold in the Australian market and with the release of its 2017 range of ŠKODA OCTAVIA models, which the company says is becoming even more dynamic and efficient, there are growing expectations for further market penetration.

The Volkswagen owned ŠKODA 2017 Octavia, can be delivered as a hatchback and an estate with its powerful and features powerful economical engines. The range of petrol and diesel engines extends to the RS powertrains with 169 kW (230 PS) in the TSI and 135 kW (184 PS) in the TDI.

In the TSI range, a turbo-charged, three-cylinder petrol engine has replaced the 1.2-litre, four-cylinder version. From its engine size of 999 cm3, the new 1.0 TSI produces 85 kW (115 PS) and provides 200 Nm of torque between 2,000 and 3,500 rpm. The first three-cylinder engine in the history of the model series has sophisticated acoustics and enables a driving performance that surpasses its predecessor.

In combination with 7-speed DSG, the new 1.0 TSI accelerates the ŠKODA OCTAVIA hatchback from 0 to 100 km/h in 10.0 s and achieves a top speed of 202 km/h. Combined with a 6-speed manual gearbox, 100 km/h can even be achieved in just 9.9 s; the top speed is also 202 km/h. The ŠKODA OCTAVIA Combi is available with 7-speed DSG or a manual gearbox; both versions reach a top speed of 200 km/h and accelerate from 0 to 100 km/h in 10.2 and 10.1 s respectively.

Car experts have noted the biggest improvement is to the new three-cylinder TSI's fuel consumption, which is 8 per cent lower than that of the previous engine. The hatchback with 7-speed DSG can cover 100 km using just 4.5 l of petrol (emitting 105 g CO_2/km, or – using the same fuel consumption – 103 g CO_2/km when combined with a manual gearbox). The Combi uses 4.6 l/100 km (emitting 106 g CO_2/km) and 4.5 l/100 km (105 g CO_2/km) respectively.

On request, ŠKODA delivers an aero package with targeted modifications, which further increase efficiency, for the Active, Ambition and Style trim levels. Its components include a sport chassis which brings the body closer to the road and therefore reduces drag, active air flaps for better aerodynamics and a tailgate or roof spoiler for further improved air flow. The tyres are optimised for low rolling resistance. These improvements mean the fuel consumption drops to 4.4 l/100 km and the CO_2 emissions to 102 g/km in both the hatchback and the Combi with manual gearbox.

The new 1.0 TSI in the ŠKODA OCTAVIA is state of the art in all aspects of technology. Its compact construction and aluminium crankcase mean the three-cylinder engine weighs just 78 kg. Its aluminium pistons and the forged

connecting rods are balanced accurately, enabling quiet and smooth running even without the presence of a balancing shaft. In the entire crankshaft assembly, the rotating mass is low in weight and friction loss is minimal. The crank case and cylinder head have their own cooling circuits; the exhaust manifold integrated into the cylinder head forms an important component of the engine's powerful thermo-management.

To improve the charge cycle, the inlet and exhaust camshafts can be adjusted by up to 50 and 40 degrees of crankshaft rotation respectively. The common rail system injects the fuel with up to 250 bar of pressure. The turbocharger's intercooler is integrated into the induction tract, instantly increasing the boost pressure which can reach up to 1.6 bar (relatively).

ADAPTIVE DCC: A VARIED DRIVING EXPERIENCE

In the new 2017 model year, ŠKODA is offering adaptive Dynamic Chassis Control (DCC) for the ŠKODA OCTAVIAs with engines of a power output starting from 110 kW (150 PS). This provides a more varied driving experience – DCC makes it possible to adapt the steering and suspension depending on whether the Comfort, Normal and Sport mode has been selected. DCC is also available in the ŠKODA OCTAVIA RS and ŠKODA OCTAVIA RS 230, where its functions include a more comfortable set-up for everyday driving at the push of a button.

OVERALL PACKAGE, INTERIOR AND 'SIMPLY CLEVER' FEATURES

The ŠKODA OCTAVIA's overall package offers generous amounts of space and combining the elegant hatchback shape with a large tailgate. It offers outstanding interior space, rear legroom and headroom in the compact car segment. Both the hatchback and the Combi boast the largest boot within their class.

Just like every ŠKODA, the OCTAVIA has many electronic and 'Simply Clever' features which make life easier for its occupants. In the new 2017 models, the Climatronic comes with an allergen filter, the optional rear-view camera is kept clean using washer jets and, from the late summer, there will be an optional umbrella under the front passenger seat. iPads can be mounted to the front seats' backrests.

NEW FEATURES OF THE INFOTAINMENT SYSTEM

The ŠKODA OCTAVIA's infotainment systems are part of the second-generation Modular Infotainment Matrix (MIB II) – they are easy to operate, versatile and powerful. The Swing infotainment radio is already standard in the Active trim level in the 2017 models. Wi-Fi has been added to the Amundsen infotainment navigation system. Some of the system's functions can be controlled using ŠKODA's Media Command app on a tablet or smartphone – an appealing solution for the ŠKODA OCTAVIA's rear passengers.

With new features, the infotainment system becomes even more extensive in the 2017 models. The optional ŠKODA Phonebox with wireless charging connects a smartphone to the car antenna by near-field coupling without the need for a cable, thus offering high call quality and best data reception. At the same time, it charges the smartphone inductively in accordance with the Qi standard, provided that the phone is technically compatible. BFM