

Small Business Development Conference

**The Growth Assumption
November 2009**



Outline

- Lessons from the past
- More Opportunities for Small Business
- Innovation
- Plan B & C
- Exit Strategy
- Cashflow
- Budgeting and Sensitivity Analysis



Lessons from the past



Lessons from the past

- Systemic Crisis in Capitalism itself
- Lower growth opportunities in real economy (productive, industrial economies), surplus capital ends up in financial markets
- Recurrent financial bubbles (eg internet bubble 1990's)
- Executive Remuneration
- Managing stock prices, not genuine value
- Failure of regulators, auditors, analysts and politicians



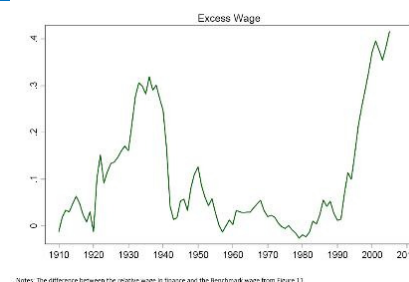
Lessons from the past

Companies that survived the last recession had one or more of the following elements:

- low debt and liquid balance sheets, ie they had cash.
- diversified across different revenue streams and geographical regions did better than those that were focused on a niche.
- Identified and developed strategies with their profitable customers and their valuable suppliers.
- While investment values were low, companies found opportunities for mergers or acquisitions



Figure 11: Historical Excess Wage in the Financial Sector



Notes: The difference between the relative wage in finance and the Benchmark wage from figure 11.



More Opportunities for Small Business



More Opportunities for Small Business

- Local suppliers
- Community building
- Trend towards customisation not mass production
- Government and Large Corporations outsourcing service aspects of their business
- www.business.gov.au/Business+Entry+Point/
- Austender, www.tenders.gov.au
- NSW www.tenders.nsw.gov.au



Government Tendering

Austender on 11-10-09

- [To Provide Welding Machines Complete With Accessories Under A Standing Offer Arrangement.](#)
- [Handset H.250JJ.](#)
- [Developing a monitoring and evaluation framework for the Commonwealth Indigenous Chronic Disease package](#)
- [Financial Statement Audits of ARTC](#)
- [Mirror Components for Interferometry](#)
- [Supply and Service of a Liquid Nitrogen Facility to the NML Lindfield NSW](#)
- [To Provide The Fitout of Toyota Landcruiser 70 Series Troop Carrier Vehicles As Range Safety Vehicles.](#)
- [Building Brand Australia - Brand Development and Promotion Phase](#)
- [Develop a Quality Assurance Framework for the Accreditation / Registration of Programs and Providers Funded Under the Healthy Communities Initiative](#)
- [Construction Delivery Services for the Australian Institute of Police Management Redevelopment Project](#)
- [National Enforcement Implementation Guidelines for Mining Inspectorates](#)
- [Contractor Senior Business Analyst](#)



Innovation



Innovation

Innovation can create ongoing growth Corporations have forgotten about this

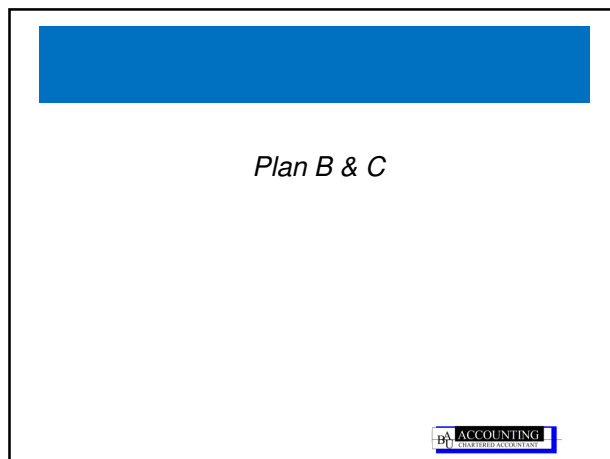
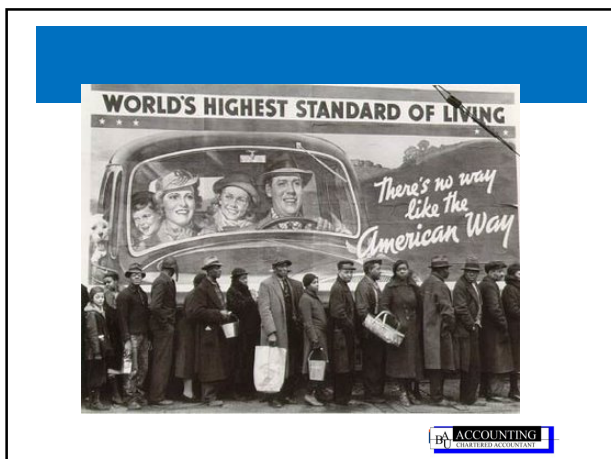
- COMET Grant
 - help pay for 3rd party adviser costs- IP advice, strategic planning, mentors
- EMDG- Exporters
 - Minimum spend \$10k, 50% of marketing costs back
- R&D
 - 125% of eligible expenditure, tax offset, July 2010 replaced with a 45% tax credit system



Innovation

- Re-tooling for Climate Change
 - improve the energy/water efficiency of production.
- Other manufacturing grants
 - Green car, Textiles
- Grant finder- many more state grants
 - <http://www.business.gov.au/bep2005/grantfinder>

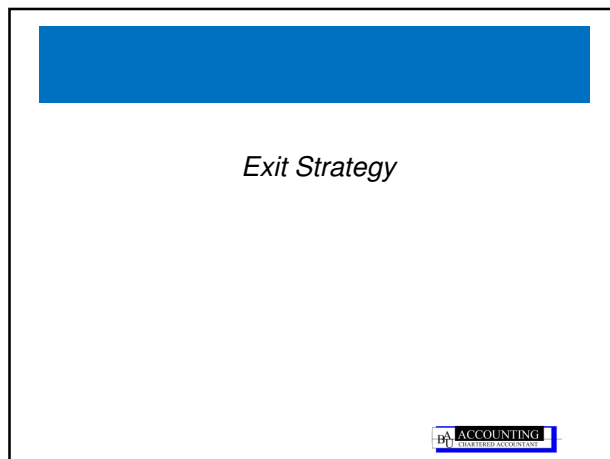




Plan B & C

- Have a detailed plan of what to do at different stages of slowing revenue
- Cost control
- Best way to make money sometimes is to save it
- Fair Work Act- 10 National Employment standards from 1 Jan 2010
 - under 6 months employees cannot claim unfair dismissal
 - 1 week minimum notice
 - > 1 year service = 4 weeks redundancy (not small biz <15 employees)

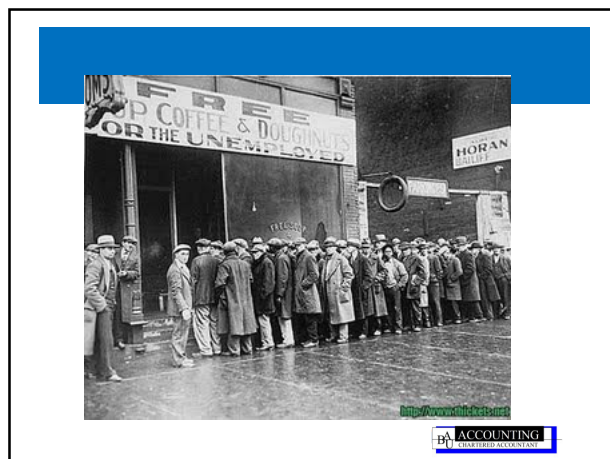
At the bottom right, there is a logo for 'B+ ACCOUNTING'.



Exit Strategy

- What are you going to sell
- Contracts = value
- Personal Guarantees
- Small Business CGT Concessions
 - 15 year exemption
 - Retirement exemption - \$500k gain to super
 - 50% concession
 - Replacement asset
- Succession planning, buy-sell agreements to senior management

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Cashflow

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Cashflow

- Debtors days
- Creditor days
- Inventory days
- Takes almost 100 days to get paid....

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Budgeting and Sensitivity Analysis

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Budgeting and Sensitivity Analysis

- Most budget forecasts are wrong from the day they are written, however
- KPI's- price or volume variances
- Sales +10% and -10%
- Break Even sales each month
- *Debt has a inbuilt growth assumption*

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Questions?



Depression's Lesson in Frugality and Generosity

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