

# Darkest before the dawn

If the darkest hour is just before the dawn, then dawn is just around the corner. It's up to Australian family businesses to make the most of opportunities.

WORDS DES CAULFIELD

**B**usiness has been greatly challenged by the so-called Global Financial Crisis (GFC). The current uncertainty of the sovereign debt crisis in Europe and the historically slow growth in USA suggest that these difficult times are not yet over.

Recently, legislation to introduce a carbon trading scheme has passed the Federal Parliament, with a commencement date of July 2012. Large carbon producers will pay directly. Businesses that use the goods and services provided by these companies will have extra costs passed to them. The costs will move all the way down the supply chain. You will not escape!

Business owners could be easily led to despair as to how they might survive. Australian singer/songwriter Paul Kelly observes in his song *Bradman* that “the darkest hour is just before the dawn”. This might well be applied to a business world battered by world economic events. Now might well be the darkest hour and the dawn will invariably come. It's up to us to make the dawn a new beginning.

The British Special Air Service has as a motto of ‘who dares wins’. That might well be a philosophy to adopt in your business as you move from the darkness to the dawn. There are so many instances in history that support the view that great businesses and great business ideas are created out of adversity.

Those in business not frightened off by poor economic conditions and who are prepared to look outside the square are invariably winners. The economic consequences of the GFC and the Carbon Tax should be a catalyst for businesses to review methodologies, costs and strategies. They should not be a reason to give up in despair.

Changes to businesses processes and strategies can often be quite simple and yet can result in substantial benefits. You could just sit there and accept that your exports have been badly impacted by the high Aussie dollar, or that you will have increased manufacturing costs as a result of the carbon tax. Or, you could make a positive attack on the problems. Look at what you can do to mitigate these imposts by taking advantage of other avenues that are waiting to be discovered. Here are a few starters:

## 1. Use the internet

One of the least expensive ways to get the message to customers and potential customers is the internet. Twitter, Facebook, websites and the like are not just for Gen Ys. They offer huge potential for specific targeting of information to large numbers of consumers, quite often at ridiculously low costs. Many of us are intimidated and have no idea where to start. Fear of the unknown can easily prevail. Dare to go into the unknown! Be prepared to use consultants in this field who provide excellent advice, training and assistance.

## 2. Protect against bad debts

That should be obvious. But is it? Consider this. You are selling a product that has a profit margin of 25 percent and the purchaser of that product defaults. You lose not just the 25 percent margin, but also the 75 percent in costs that went into the product and its sale. To recover your position you will have to make four sales for the one that went bad.

Consider insuring against bad debts. There are companies that specialise in this type of insurance. Not only do they insure your debts, but they are also experts in assisting you in debtor management. Yes, there is a cost, but just the peace of mind of knowing that a major bad debt is not going to bring you down, leaves your mind to deal with improving other aspects of your business.

## 3. Consider outsourcing

The mention of the outsourcing word inevitably draws the criticism of potentially moving jobs offshore. Such a decision needs to be carefully weighed up, but there are many administrative functions that can be outsourced within Australia and result in substantial savings to the business. Payroll and associated functions are a very good example. You may be surprised by the savings you can make even if your team consists of as few as 15 to 20 people.

**4. Attack the Carbon Tax head-on**

Electricity prices are already rising steeply as a result of the need to correct years of neglect in infrastructure investment. Prices will be further impacted by the carbon tax. You have no control over the prices, but you can control the consumption. An energy audit is not expensive, and it has the potential to show you how to reduce consumption. Reduced consumption is reduced cost. If Tony Abbott does as he has promised and eventually overturns the carbon tax, you will still be in front simply for having reduced your consumption.

Fuel prices are initially exempt from the carbon tax, but not forever. Now is the time to start planning for ways to reduce fuel usage. Even before the carbon tax kicks in you will be saving by reducing consumption.

Review your freight providers. Find out what they are intending to do to reduce the impact of the carbon tax on their operations. The providers that are planning for the carbon tax impact will be the ones that are the most competitive once the tax is imposed.

Think about packaging and container usage. For example, glass production requires substantial electricity consumption. Consider whether there is an alternative that may work for you. Perhaps you may be able to use a lighter form of glass that has a lower production cost?

**5. Be cost conscious**

There are costs in your business that in isolation appear insignificant. However, there can be many of them. Regularly review all costs. Telephone contracts, freight contracts, printing and stationery, IT costs and the list goes on. You can change the way you operate and this can result in being able to convince suppliers to sharpen their pencils. Simply by changing your ordering processes, such as the volumes and the timing, may be all that is necessary to get better prices. Do not be complacent and make your suppliers aware that you continually monitor your costs.

**6. Beware the Tax Man**

The Australian Taxation Office (ATO) has greatly increased audit activity in the business sector. They are now armed with much improved information gathering techniques and sources. Many businesses will find themselves as ATO targets. Unlike in normal commercial business litigation matters, the ATO are not responsible for costs that you incur during the course of an audit, even if you are found to have no case to answer.

You should seriously consider having your accounting advisers conduct an audit risk review. In the event that errors are detected you are able to rectify the position prior to any probe from the Tax Man. Penalties that would have been imposed as the consequence of a tax audit will be substantially reduced. Should you eventually be subjected to an ATO review you will be well placed to very efficiently deal with it.

Tax audit insurance is not expensive and should be considered. Your insurance broker will assist you or your accountant can direct you to a broker.

**7. Engage with your peers**

Competitors are unlikely to offer you useful advice. Industry organisations provide a wealth of information and assistance. Be active and participate. Do not fear adverse comparisons with your fellow members. You will find yourself among people who are genuine in wanting to assist you with their wisdom and ideas. And, no doubt, you will have experiences that you will be able to share with them. Truly a win win result.

The premier family business organisation is, in my opinion, Family Business Australia. Visit their website ([www.fambiz.org.au](http://www.fambiz.org.au)). Find a member and seek their opinion. Much can be gained at very little cost. There are also many industry specific organisations that can be an invaluable source of great ideas and resources. You just need to do a little research.

**8. Be part of the team**

You may be surprised to learn just what your team knows about your business and that many of them would greatly appreciate being able to talk to you about their ideas. Encourage them always. Listen to their suggestions and provide constructive feedback to them. Recognise their achievements in front of their peers. They are your ears and eyes on the ground, your front line troops. They can be just as innovative as you, given the chance.

Paul Kelly's dawn approaches. The darkness of the GFC and European sovereign debt problems will pass. Make certain that your business survives to see the light. ●

*Des Caulfield is a director of MGI Australasia: [www.mgiaust.com](http://www.mgiaust.com).*



CHARTERED ACCOUNTANTS

**DIRECTORS**

WA Duncan, CA DW Newman, CA  
P Dovico, FCA JA Mortlock, CA  
GR Mascitelli, CA R Megale, CA

**CHARTERED ACCOUNTANTS**

A boutique accountancy firm with a reputation for providing personal service through a talented performance-oriented professional team.

**CORPORATE SERVICES**

- Acquisitions, Mergers and Corporate Reconstructions
- Audit and Investigation
- Internal Control Review
- Superannuation Funds

**BUSINESS SERVICES**

- Accounting Advice
- Taxation Compliance
- Corporate Secretarial
- Business and Budgetary Forecasting
- Litigation Support Services
- Management Consulting Services
- Information Technology

Tel (02) 9922 1166 • Fax (02) 9922 2044 • Level 12, 90 Arthur Street, North Sydney NSW 2060 • [email@duncandovico.com.au](mailto:email@duncandovico.com.au)

[www.duncandovico.com.au](http://www.duncandovico.com.au)



**Family Business Support**  
Family Business Issues – You write them, We'll right them!

Some of the areas we can assist with include:

- Achieving work and life balance
- The tug of war between family and business perspectives
- Achieving your goals in your family and business
- A smooth path to Succession



ANGELO COCO  
ACCREDITED  
ADVISER



Phone. 07 4721 3888 | [www.fambizsupport.com.au](http://www.fambizsupport.com.au)



Simple automated appointment scheduling system with online accessibility.

*Simplify your life!*  
Perfect for any business that manages appointments - hairdressers, therapists, plumber, mechanics, etc.



Angelo Coco 0419 659 284  
[www.tymwise.com](http://www.tymwise.com)

ASK ABOUT OUR  
**FREE 30 DAY TRIAL!**