



www.hmcr.com.au

CORE | *thinking*

HMCR Newsletter | Summer 2010/2011

CONTENTS:

Business Improvement:

- Do you know how much your business is really worth?
- Are you doing the right things for yourself?
- Dealing with the generations

Updates:

- Nothing succeeds like succession
- Tell a friend

Of interest:

- Team member profile
- Book and Movie review
- Client news
- Community corner



Do you know how much your business is really worth?

Business owners are often so closely involved in their business that they lose sight of what the value of their enterprise really is. When you put so much effort into your business, you need to be sure that it is all worth it.

It is essential to know what your business is worth if you are looking to approach lenders, to know whether you are growing the business, for measuring business performance and the appropriate level of your profits, or if you are looking to restructure.

Public companies have a structured market so it is easy to ascertain what they are worth. But a privately-owned business is very different. For most small businesses there is no ready or automatic market that

will tell you what the business is worth.

So, how do you know if your opinion of the value of your business is realistic, too low, or completely idealistic? Knowing what your business is worth should be a basic part of being in business and not just when you are looking to sell.

Many methods exist for valuing a business, but generally the key factors to be taken into consideration are;

- earnings
- value of tangible and intangible assets
- risk

Ideally, your business should generate and grow its earnings, its free cash flow, and its asset base. These factors, and a positive growth trend, are indicators of real value and a business that is likely to be growing in value. The absence of these factors may bring into question the value that really exists.

READ BY:

.....

.....

.....

.....

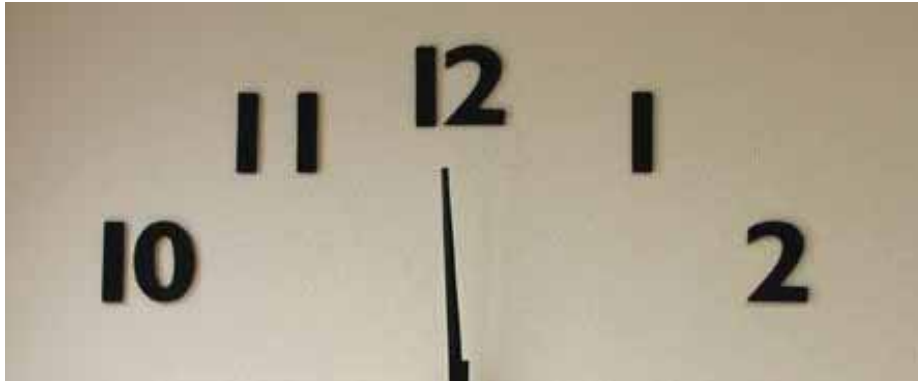


Hattam McCarthy Reeves
Chartered Accountants & Business Advisors

Address:
65 Unley Road
PARKSIDE SA 5063

Contact Details:
Ph: (08) 8172 1444
Fax: (08) 8172 1455

Liability limited by a scheme approved under Professional Standards Legislation.



Are you doing the right things for yourself?

Last issue we spoke about the importance of balance, the following Time Management Quiz will enable you to work out if you are doing the right things for yourself

Key areas of your life	Percentage of time		Gap
	Wishing you Spent on this	Actual Time Spent on this	
Family			
Friendships			
Looking after your health			
Hobbies and other pastimes			
Working ON your business and/or career (i.e. strategic business activities that help to create a brighter future for yourself)			
Working IN your business and/or career (i.e. the day to day activities necessary to get the job done) (i.e. the day to day activities necessary to get the job done)			
Lifelong learning			
Everything else non - strategic (e.g. household and domestic activities etc)			
	100%	100%	

1. Use column two to record the percentage of your waking time that you would like to spend in each of these areas in an ideal world. NB: Please ensure that the column adds up to 100%.

2. Use column three to record (very approximately) the percentage of your waking time you think you are actually spending in each area. All that is required is

a rough and ready approximation here. Don't waste time trying to get pinpoint accuracy... the aim is just to get a broad feel.

3. Use column four to calculate the gap between column two and three.

4. Does the gap analysis suggest that you need to make changes in order to achieve your goals? If it does, what changes are you going to make?



Team member profile

Sarah Allen

Title: Office Manager / Manager Corporate Compliance

My job at HMcR involves: Administration/Accounts/Banking/ASIC/Client Work etc

My dream holiday destination is: Europe

For my last meal: Crispy skin Atlantic salmon

The TV show I can't live without is: RPA

One thing that really annoys me is: Mess

When I was growing up wanted to be an: Art Teacher

If I could change one thing about myself: I would like to more articulate (but really I would like to be younger)

My first job was as a: I packed potatoes at the local green grocer when I was 14

Something you probably don't know about me is: I had a major role in the SA HIH Victim Support Group getting relief from the SA Government

I can't live without my: Gym membership

The person I admire most is: Nick Xenophon

I am scared of: Show rides

I get mad when: My kids don't listen to me

The thing I like best about working at HMcR: The people



Tell a friend

We recognise that the greatest compliment our clients can pay us is to refer their friends and business associates.

As an incentive to you we will include your name and the name of your referral into a draw to win a holiday voucher to the value of

\$3,000 which will be drawn at our next annual movie night.

If you have any friends, family or associates who are looking for a professional and friendly accountant, we would be delighted to assist them. Please pass on our details or alternatively, provide us with their details we will contact them directly.

CASE | study

Nothing succeeds like succession

A lot has changed since 1929 when Malcolm Becker's father set up a small General Store in the town of Tintinara, a farming community in the south east of the State. Over the years, the business grew into a successful newsagency, hardware store, drapery and a supermarket.

In 1999, the accountant, who had been with the business since Malcolm's father's time, decided that the GST and Y2K were issues he did not wish to tackle. Following advice from a friend and financial adviser, Malcolm decided to have a chat with Geoff Hattam. For many years, Hattam McCarthy Reeves had been making regular visits to the South East, becoming well-known and trusted by many in the area.

It took Geoff Hattam some time to sort through the outdated book-keeping records and get to grips with the multi-faceted nature

of the business. Once he did so, his sound advice helped Malcolm Becker to streamline the accounts system as well as get the business onto a solid footing for the future.

In 2003, Geoff asked Malcolm, then aged 63, about his plans for business succession. Malcolm confessed that he had never heard of the concept before. Geoff Hattam provided the example of the client who worked from 7.00am – 7.00pm, 7 days a week, who never stopped working and who, one day, had a heart attack and died. His widow had no alternative than to sell the business at a fire-sale price, getting just half of its true worth. Malcolm decided that it was not what he wanted for himself or his family.

Guided by the advice of Geoff Hattam, Malcolm decided to plan for his retirement and to put the business up for sale. He fully expected that it could take as long as 5 years to sell. Fortunately for Malcolm, it took just 12 months and Malcolm was then able to invest in his superannuation. With the help of Geoff Hattam, Malcolm made the break from his business in an orderly and planned manner, and in his own time.

Malcolm is able to appreciate the time he spends with his family and regularly travels to exotic locations, knowing that he can trust that his financial affairs are being looked after while he is away. Taking full advantage of all the years of hard work in the business, Malcolm is grateful to have achieved retirement at a younger age than he ever expected. As well, he now has enough money to spend in retirement.

Over many years of working with Hattam McCarthy Reeves, the personal relationship has developed to the extent that Geoff always visits Malcolm and his wife, Faye, whenever he goes to Tintinara on business.

Malcolm Becker says that he "openly recommends HMCR to everybody he sees". Several friends have made the move to Hattam McCarthy Reeves, with Geoff Hattam and the other partners continuing to build on the strength of the longstanding relationships that are a hallmark of their accounting business.

"I trust Geoff and the HMCR team because they are straight talkers and there is no rubbish. You know where you stand and you don't have to waste time 'beating around the bush'."

Malcolm Becker, Tintinara



Dealing with the generations

In our previous newsletter we discussed conflict in the family business. One of the areas that often creates conflict relates to the differences in values and work ethic between different generations together with the inability of different generations to effectively communicate with each other.

In our experience many family businesses are multi-generational which often creates potential for issues to arise. Family businesses can be dealing with up to 4 different generations within their structure;

- **Grandparents or Mum and Dad** (Veterans born between 1922-1944)
- **Mum and Dad** (Baby Boomers born between 1945-1964)
- **Children** (Generation X (born between 1965-1981) or Generation Y (born between 1982-2000))

- **Grandchildren** (Generation Y (born between 1982-2000))

Each of these generations has different values, different motivational triggers and has had different life experiences. Dealing with this within the family business environment can be a great challenge.

Baby Boomers tend to be loyal, hardworking, driven and are respectful to authority. Generation X is more independent and self sufficient, more transient with their career paths and sceptical and unimpressed with authority.

Look at your own experiences. For me being a Generation X I still remember the day I told my Mum and Dad (Baby Boomers) that I was leaving my first job to pursue a more challenging role. The horror on their faces and in their voices was something that is vivid in my memory. I am sure that many of you would have similar experiences and probably much worse. And now being an employer of Generation Y, well don't start me on that!

So as business owners and managers, how do you effectively manage the issues that arise as a result of dealing with different generations?

1. Understand that there is not one clear answer that will fit every business. Each family business is different, as are the dynamics of the relationships that exist within.

2. Identify and then understand the motivating factors of the different generations and the impacts that they may have on the family business.
3. Implement structures and processes in order to manage and report on performance to the different generations.
4. Be prepared to adapt and adjust your internal systems and previous values in order to meet the demands of the changing family and your broader workforce.

At Hattam McCarthy Reeves we can assist you to identify, manage and improve your business and resolve some of the generational issues your business may face through the

- Facilitation of family meetings
- Performance of staff reviews
- Establishment of job descriptions and performance reviews
- Establishment and implementation of key performance indicator (KPI) reporting for family and team members
- Establishment of systems and processes within your business

Should you require assistance in this area please contact one of our advisors.



Community corner

We are pleased to give our support to the "Save the Keith Hospital" campaign. This issue affects everyone, not just our country clients - country towns and communities are built around hospitals. The state government's decision to cut funding of \$380,000 to the hospital is going to result in its closure.

This will have devastating consequences for the region, on top of the 55 jobs lost and elderly patients becoming homeless, many towns will be left without vital medical services. Keith Hospital is the only accident and emergency centre for 180kms on the Dukes Highway and 240km on the Riddoch Highway. The hospital also provides a vital refuelling station for helicopters used to transport accident patients.

By displaying the sign on Unley Road we are aiming to raise awareness of the situation as well as send a message to the politicians that the decision not only affects the south east region but also has a flow on affect to the city and other regions.

Bryden Crabb a local of the area and employee of HMcR had the following to say; "Growing up in the region I have relied on the hospital, I have even done volunteer work there and know the effects this will have on the whole south east region."

Please get in and support, there are a great number of easy ways for you to support this cause.

For more information, go to <http://www.keithhospital.com.au/pages/save-our-hospital.php>



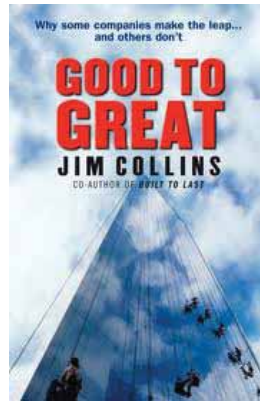
Just a thought

"Pull the string and it will follow wherever you wish. Push it, and it will go nowhere at all"

DWIGHT EISENHOWER

Book review

GOOD TO GREAT - JIM COLLINS



Jim Collins is considered to be one of the major American business gurus, who is both a student of and a teacher for great companies. He learns how they grow,

how they attain superior performance, and how good companies can become great companies.

Good to Great poses the question 'Can a good company become a great company and, if so, how?'

The answers are based on interviews and workshops with over 100 social sector leaders. Based on hard evidence and volumes of data, Jim Collins and his team uncover timeless principles on how the good-to-great companies produced sustained great results and achieved enduring greatness, evolving into companies that were indeed 'Built to Last'.

With 21 research associates working over a period of five years, the study involved both quantitative and qualitative analysis of more than 1,400 fortune 500 companies. The analysis obviously included financial metrics but also looked at the impact of executive remuneration compared to turnover, layoffs and restructuring of businesses. They found the same key concepts present in good to great companies.

At the heart of the findings about these companies' stellar successes is what Collins calls the Hedgehog Concept, a product or service that leads a company to outshine all worldwide competitors, that drives a company's economic engine and that a company is passionate about.

While the companies that achieved greatness were all in different industries, each engaged in versions of Collins's strategies.

Whatever the key to the success of these companies, the key to the success of this book is that the book offers a well-reasoned road map to excellence that any organisation would do well to consider.

Client news



Client Rob Moody's new venture is Somerled Wines which opened a cellar door in Hahndorf's main street on 29 August – the culmination of 10 years of passion and hard work to conceive and grow a small but successful family wine business.

Somerled started with just one wine – the 2001 Somerled McLaren Vale Shiraz. After some encouraging early success, an Adelaide Hills chardonnay was added to the line-up of wine in 2006, and from there it has grown to include sauvignon blanc, a sparkling pinot noir, and a cabernet sauvignon – all from the Adelaide Hills. While sales started off as quite modest, there has been a steady increase particularly through an agent in Melbourne. More recently, there has been good success exporting wine to Hong Kong and over the past year some excellent sales to China.

While Somerled may not yet be the best known wine in the Adelaide Hills, wine buffs will be interested to know that Rob joined Penfolds in 1969, having been interviewed and then employed by the great Max Schubert of Grange Hermitage fame. Rob is also fortunate to have worked closely with many of the great Penfolds winemakers of the time – names like Ray Beckwith and John Duval, while being deeply involved with many of the greatest Penfolds wines.

For more information visit the Somerled website, www.somerled.com.au, phone 8339 2617, or visit the new cellar door to enjoy a glass of wine and a Spanish platter in the sunny courtyard.

Movie Review

HARRY POTTER & THE DEATHLY HALLOWS – PART 1

Due to our bumper Summer issue, our movie review can't fit, but don't despair, you can view it and others online at www.hmcr.com.au/resources_movie_and_book_reviews

Hattam McCarthy Reeves
tasty recipes for business and wealth improvement



In an endeavour to improve our environmental footprint, this newsletter is printed on 100% recycled paper.

Disclaimer: The material and contents provided in this publication are informative in nature only. It is not intended to be advice and you should not act specifically on the basis of this information alone. If expert assistance is required, professional advice should be obtained.