

NEW REFERENCE SHEETS

These reference sheets and more are available from our website. We will be adding more reference sheets to our online library from time to time.

- Under New Management
- Happy Hunting Grounds
- On the Board
- The 'Work Out' Clause
- How to Manage your Bank Manager

SERIES COLOUR GUIDE

- START
- RUN
- GROW
- MOVING ON
- FINANCE

REFERENCE SHEET WEBSITE

www.bendigobank.com.au/business/businessfocus/library/

FEATURE STORY

On the Board

By Andrew Kent

While publicly listed companies are required to have a board of directors as part of their corporate governance, more and more privately owned companies are looking to follow suit. This reflects a growing recognition that an effective board can be a very valuable resource. Unhindered by some of the legal requirements of listed companies, private companies are setting up boards in a variety of ways.

If you are looking to establish a board, one of the first things you need to consider is what benefits you are hoping it will deliver. There is a wide range of potential benefits that a board can deliver, but the primary



purpose you have in mind will shape the sort of board you create. For example, is it to break deadlocks between equal partners? Is it a means of improving the quality of debate and decision making? Or perhaps a way of creating contacts and networking opportunities? For some businesses it will be all of the above, while others may have completely different benefits in mind.

continue page 2

REGULAR

Business Outlook

BUSINESS SNAPSHOT

Overall Economy (GDP):	(Q2 +0.9%)	↑ 4.3%
Inflation (CPI):	(Q3 +0.7%)	↑ 1.9%
Unemployment:	(August)	4.2%
Retail Sales:	(August)	↑ 8.3%

Percentage is Annual Rate of Change.
Data are latest figures as published by Australian Bureau of Statistics 31/10/2007.

For more up to date Business and Market trends and analysis, visit your local Bendigo Bank branch and speak to your Branch Manager.

Volatility continues to build across financial markets, with pressure on the Reserve Bank to lift official rates in response to rising inflation rates, but a very different story in the US. In Australia the headline CPI rate is only 1.9%, but the 'trimmed mean' is 2.9% and economists

are concerned it will soon be above 3%, the top-end of the RBA's target band for inflation. The impact of the rising price of oil and also the drought (with downstream impact on consumer prices) suggests inflationary risks are high, which makes another rate rise or two quite plausible.

In contrast the fall-out from the US sub-prime mortgage market on global credit markets and on the US economy in particular is pushing US rates lower, with the Federal Reserve having reduced their rates by one half of one percent in September and more rate cuts likely to follow. This divergence between our rates and those in the US is pushing the Aussie dollar higher, and having survived a dip to 77 cents in August we have cracked 89 cents and quickly reached 92 ½ cents – the highest level since 1984! The all-time (post float) high of 96 ½ cents now looks quite achievable.

The global credit crunch initially took its toll on equity markets, however not unlike our currency the sharp drop in the all-ordinaries in August quickly reversed to reach new heights, and there is a degree of confidence in the market. In the US the mood is more sombre, with debate raging regarding the likelihood of a recession emerging. The US housing market is still very weak, however a rebound in their jobs market leaves the jury 'out'. In Europe the outlook is more positive, although the ECB is also concerned about inflation.

In summary the shocks to the market from offshore have caused sharp spikes in volatility for a range of markets, however thus far the Australian economy has shown great resilience to these shocks.

David Robertson
Senior Manager Financial Markets
Bendigo Bank

Subscribe to receive
the next issue
of Business Focus

Get the Business Focus Newsletter delivered to your email once a quarter, in August, November, February and May, and have access to all of the reference sheets in the online library.



To subscribe simply go to the business section of our website at www.bendigobank.com.au/business and follow the prompts.

continued from page 1



The other key consideration is what level of responsibility and authority you would like the board to have. If you are a sole business owner you may not want them to have any authority at all. In this case you may look to establish an advisory board, which has no legal authority or responsibility. An advisory board can function in the same manner as a normal board, however its decisions become recommendations rather than directives for the business.

Board Structure

A board can have a mix of owner representation and independent appointments. The actual mix is largely determined by the board and can change from time to time. While there are plenty of organisations with boards of two or three people, they tend not to actually function as boards. As a result many decisions are made in isolation or as a bi-product of informal discussions, while other decisions and issues are continually postponed or ignored. As a general rule a board needs to have a minimum of four members to function effectively. Ideally board membership should be between six and twelve.

It is usual to have an even number of board members plus a chairman. In this scenario the directors vote on various issues, with the chairman casting the deciding vote only if the vote is evenly balanced. However, there are also boards with even numbers of members in which the chairman votes on all issues, and some boards that require a two third or three quarter majority in order for a motion to be carried. Also, there may be the option of having different levels of

majority required to carry different types of issues. For example, the sale or merger of a business may require a unanimous vote, while more operational decisions may require a simple 50% majority. Other issues may require approval from the board at a certain level, and then approval from the shareholders (in proportion to ownership) in order to be carried.

When establishing a board, the levels of authority and related voting requirements need to be put in place at the outset. In doing so it is also important to include a mechanism for changing these from time to time.

Board Members

Ideally your board should have a broad cross section of relevant skills and experience as well as mutual respect for each other. With the owner representative skills known, give some thought to the challenges the business is likely to face in coming years and what skills and experience you would like to be able to call on at board level. This should form the basis of your selection criteria. Also don't be afraid to appoint board members from outside the industry if they have skills and/or experience you are seeking. Often an independent view untroubled by the traditions of your industry can add unique insight and value to a board.

Maximising Effectiveness

Boards should meet on a regular basis. All of the board members should be very well briefed prior to the meeting so that the meeting time can be spent discussing issues rather than divulging information.

A further time saver is to ensure that every agenda item is presented with a recommended resolution. This provides the chairman with the option of running through all of the recommended resolutions at the start of the meeting and asking the board members to nominate any that they would like to discuss, or do not agree with. This will enable the other items to be voted on and agreed to en masse, thus saving considerable time. The remaining items can then be allocated a more extensive discussion time.

Also, try and manage the agenda to ensure that the board covers strategic as well as operational issues. In this regard, the CEO should be expected to manage the implementation of any strategy effectively. The board need only get involved if this is not the case. To this end the board needs to receive regular updates on the business operation, with any abnormal activities or performance issues presented in more detail.

Board chemistry is also very important. If the board is stagnant or hostile, then it may be a good idea to run a separate event – perhaps a strategic workshop or offsite workshop in which the board can participate in a team environment. If this fails to resolve the issues, then reconfiguring the board may be the solution.

Summary

Boards can be very effective. However, what needs to be understood is that the effectiveness of the board is intrinsically linked to the mix and quality of the board members and the manner in which the board operates. Put the time and effort into getting this right and the business will be reap the rewards of good leadership that a board can bring.

Andrew Kent is CEO of Business Gear Change

More in  **On the Board** Reference Sheet.

ARTICLE

How to Manage Your Bank Manager

By David Pugh

The relationship a business has with its bank manager is very important at the best of times, and critical when things aren't going as well as they could be.

Establishing a good relationship with your bank manager should start from day one. With a clear understanding of your needs, you'll be well on your way to effectively managing your Bank Manager and to receiving the kinds of products and services you need – whether you're after a simple transaction account or a more complex loan.

When preparing for your initial meeting, remember that the Bank Manager will be dealing with many other businesses. Some will be similar to yours while others will be very different.

While your business finances will be at the core of your dealings with the bank, the more your Bank Manager understands your business, the more likely he or she will be able to meet your specific requirements.

And with a better understanding of your needs, will come better outcomes for you. This may be in the form of financial products you have not been previously aware of and the kind of service that can save you time and money.

Below is a checklist of things to consider when preparing for that initial meeting.

Your initial relationship with the bank may be a relatively simple arrangement, perhaps just a simple cheque account. If this is the case, many business customers don't think it is necessary to establish a relationship with their Bank Manager.

Whilst it's certainly possible to establish a business account without meeting the Bank Manager, over the life of your business it is highly likely that you will need to establish a closer relationship with the bank. In short, the earlier you do this the better.

One reason for this is that by being open about your plans and keeping the Bank

Manager engaged in your activities, he or she will be in a better position to assess your ability to make future forecasts and to handle unexpected events.

Once you have established a relationship with your Bank Manager, it is important to keep the lines of communication open. This should include keeping him or her informed of any changes in your business – both positive and negative. The sooner your Bank Manager is aware of your changed circumstances, the better placed he or she will be to assist you to manage those changes.

Bank Managers are well aware that your business circumstances can change. Sometimes this can be within an individual business, and at other times it may be across districts or industries, or perhaps the entire country.

The key is to discuss your business issues with your Bank Manager so that you can receive assistance in managing the financial risks and exposure your business may face if particular circumstances arise.

For example, your business may be vulnerable to changes in the area of foreign exchange rates. Your Bank Manager not only understands that this is outside your control, but he or she may be able to address the issue by providing you with appropriate foreign exchange arrangements.

Similarly, Bank Managers are aware that your clients don't always pay on time or that in some businesses there are considerable outgoings required prior to the delivery of, and payment for, the product.

David Pugh is Victorian State Lending Manager for Bendigo Bank.

More in  **How to Manage Your Bank Manager** Reference Sheet.

Meeting Checklist

1 Be clear about what it is you are trying to achieve.

- Whether it's a simple transactional account or a complex lending transaction, make sure you clearly define your needs. That way your Bank Manager will understand what he or she needs to deliver from the available product suite.
- The clearer the brief provided, the more likely your manager will be able to meet your specific requirements.

2 Be prepared.

- Know what information will be required to support the finance application.
- Have relevant information at hand: Business name, ABN, signatories, official seal if required, along with information relevant to your needs.
- If making an application for finance:
 - Our bank manager will be looking for you to demonstrate that you have fully researched the transaction, (with the provision of a business plan etc), have the management skills required, a creditworthy character and relevant industry experience.
 - You will also need to be in a position to prove the viability of the business venture proposed.
 - Have up to date financial data and cash flow forecasts available.
- If making an application for transaction-related equipment, eg, EFTPOS or credit card facilities, know your phone line facilities and supplier.
- If looking for purpose specific finance, eg, import/export or debtor finance, then bring along all of the relevant details and contracts.

3 Demonstrate your commitment to the transaction.

- Be prepared to support the transaction with business and (where necessary) personal assets.
- A reluctance to do so will raise the question of just how confident you are in the likely success of the transaction.
- Don't expect the bank to take all the risk.

4 Focus on the whole package offered.

- While interest rates are important, don't just look at price alone.
- Seek a total financial solution for your business.
- Make sure you will have face-to-face access to a Bank Manager or Business Banker when you need it.

5 Be inclusive.

ARTICLE

Happy Hunting Grounds

By Nicola Cowie


While some businesses have a steady flow of customers and smaller transactions, others are dependent on hunting down new opportunities and big projects. Their challenge is how to maintain a constant source of opportunities and projects rather than going through the fluctuations of feast and famine. So how do businesses ensure that they are always in the hunt, and that their particular hunting grounds are happy ones?

In 'marketing speak' this process is referred to as upper funnel marketing. The concept is to move them from the top of the funnel, where they are unaware

of their need and your solution, through various levels of awareness and finally to engagement at the bottom of the funnel, where they becoming paying customers.

Before creating the sales funnel, it is important to understand the decision-making process of your potential clients. People might buy magazines and confectionary on the way out of the supermarket, but they wouldn't be prepared to spontaneously purchase a new car along with the milk and cornflakes. Similarly businesses do not spontaneously launch into major projects or major purchases. You need to lay the groundwork.

By developing a sales funnel your organisation can take a pro-active approach to sales. Brand awareness, referrals and other marketing activities all play a part in stimulating customer enquiries, a business that relies solely on these will be faced with unpredictable peaks and troughs. Having an appropriate sales funnel approach not only provides your business with a much more reliable sales forecast, it also provides a valuable framework for handling any unsolicited client enquiries.

More in  **Happy Hunting Grounds** Reference Sheet.

ARTICLE

Under New Management

By Andrew Kent

As the new owner or CEO of a business, what you do in the next 90 days could have a profound impact on the success of your business. At the end of 90 days the honeymoon will be over and the jury (customers, staff, and suppliers) will be set.

Day One - everyone will be trying to assess what you are like – your character, your business style, whether you have what it takes, whether or not you are open and approachable. So be visible, accessible, change nothing and say as little as possible.

Phase One – Research - Try and build as solid a picture of the organisation and the environment in which it operates as you can. Also establish some key performance measurements to help you monitor the business through the change phase.

Phase Two – Stability and Control - A business can get out of control very quickly. Identify key risk areas and decision points and make sure you have control over them. In doing so be prepared to seek input from senior people in the organisation.

Phase Three – Definition - Develop a blueprint for the organisations future state – that is, define the organisation that you think it needs to be. Depending on the size of this task and the nature of the people around you, it can be a good idea to involve others in this process, such as senior management and/or external consultants.


Phase Four – Plan - With your vision of the organisation clearly defined, the next step is to plan the change program to transform the current organisation into the future one. This needs to be done meticulously. Depending on the size of the change you

may need to implement it in a series of separate change events.

Phase Five – Change - The first change should be clean, sharp and effective. If you cannot be sure that this will be the case, then delay the change until it is.

Phase Six – Consolidate - Once the change event is complete, it is important to establish a new normal state as quickly as possible.

At the 90 day mark you should be in control of your new business, have a clear vision, your first change fully implemented and the business operating under a new 'normal' state. If you don't think you can achieve this on your own, be prepared to ask for help.

More in  **Under New Management** Reference Sheet.

For more Business Focus Reference Sheets visit:

www.bendigobank.com.au/business

Accuracy of information and disclaimer of warranties

All information contained in the Bendigo Bank Business Focus Newsletter (the "Information") is provided in good faith and for general information only. It is not intended as advice and must not be relied upon as such. You should make your own inquiries and take independent advice tailored to your specific circumstances prior to making any decisions. The Information is derived from various sources believed to be accurate and current as at the date of publication. Your use of the Information is at your sole risk. Neither Bendigo Bank Limited, its related bodies corporate or any of their directors or employees make any representation or warranty that the Information is reliable, accurate or complete at the date of publication. Neither Bendigo Bank Limited, its related bodies corporate or any of their directors or employees are liable for any loss resulting from any action or decision by you in reliance on the Information. Neither Bendigo Bank Limited, its related bodies corporate or any of their directors or employees are liable for any loss resulting from any interruption, delay in operation or transmission, virus, communications failure, internet access difficulties, or malfunction in equipment or software resulting from you subscribing to, downloading or accessing in any way the Bendigo Bank Business Focus

Copies of this newsletter and related Business Focus Reference Sheets are available from your Business Banking Manager or from our website:

www.bendigobank.com.au/business