

# BusinessPlus+ Newsletter



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## Issue – August 2020

### JobKeeper Extension – Version 2.0

#### Overview

There are 2 key changes to keep in mind in terms of JobKeeper 2.0. **First, the eligibility test is going to change from being a prospective test (based on projected turnover) to a retrospective test (based on actual turnover).** This will be done on a quarterly basis for 2 quarters, i.e. it will require ongoing monitoring and measuring.

**Second, payment rates are to be split and reduced.**

**Another major change is that the reference date for assessing which employees are eligible for the JobKeeper Payment is now 1 July 2020, brought forward from 1 March 2020.** This took effect from 3 August, i.e. it already applies. This provides scope for employees who were not eligible for JobKeeper 1.0 to become so (i.e. even before JobKeeper 2.0 commences). There will therefore be extra work to determine which "new" employees are in fact eligible (and the payment rate that they, and established, employees are entitled to).

The self-employed will be eligible to receive the JobKeeper Payment where they meet the relevant turnover test and are not a permanent employee of another employer.

Employees will continue to receive the JobKeeper Payment through their employer during the period of JobKeeper 2.0 if they and their employer are eligible and their employer is claiming the JobKeeper Payment (albeit at the reduced rates).

#### Planning Can Start Now

There are several things that businesses seeking to receive JobKeeper 2.0 will need to put down on their "to do" list.

**First, determine if the business is eligible.** This will require self-assessing their actual GST turnover ahead of the usual BAS reporting date of 28 October (in terms of the first JobKeeper 2.0 quarter). The precise date is yet to be advised, but for the moment can be presumed to be 14 October.

**Second, determine which employees are eligible,** i.e. if there have been changes in personnel (or their circumstances) since 1 March.

**Third, determine what rates of pay eligible employees are entitled to under JobKeeper 2.0.** For non-full-time employees, this will involve ascertaining average weekly hours worked (i.e. either above or below 20 hours per week). This can be done now.

**For those cash-strained enterprises that are heavily reliant on JobKeeper to fund their wage payments, attention should be given to not exceeding the designated payment amounts which will change on 28 September 2020, and again on 4 January 2021.**

Put bluntly, if businesses continue to pay \$1,500 per fortnight per employee in October with the expectation of full reimbursement, they will be in for a rude shock.

To access a [Summary of the JobKeeper 2.0 Employer and Employee eligibility positions](#), please click on the link [HERE](#).  
To access a [concise Fact Sheet and eligibility checklists](#), please click on the link [HERE](#).

## Business Impacts of COVID-19

A useful summary of Australian Business data sourced from the Australian Bureau of Statistics (as at 1 August 2020) can be obtained by clicking on the following link [HERE](#). The document provides some useful insights into business operations, including: -

- Responses to JobKeeper scheme;
- Access to other government stimulus support measures;
- Expected business actions to be implemented when government support measures cease;
- Workforce changes;
- Modifications to business operations that have been made;
- Impacts on business revenue/cashflow;
- Business solvency.

## Other Business Resources

Some other material that may be useful references for business owners are the following: -

- [Updated Summary of the Australian Government's economic response measures for COVID-19](#) covering all the recent additions to and changes to existing support measures announced to date. **This document can be accessed [HERE](#);**
- ["Key Risks arising from a Pandemic"](#) document. This resource covers the following topics: -
  1. Key Risks
  2. Impacts of a Pandemic
  3. Operational Risk
  4. Technology Risk
  5. Financial Risk
  6. Human Risk
  7. Considerations for mitigating Risk
  8. Crisis management and business continuity plans

This document can be accessed by clicking [HERE](#).

The [latest Summary of Australian State and Territory governments announced range of economic and social measures in response to the COVID-19 crisis](#) (current as at 16 August 2020) is available [HERE](#).

### Tips for Building Flexible & Resilient Supply Chains

**Unforeseen supply disruptions can create shortages of key items for your business, which can have significant consequences for your ability to operate.**

There are likely to be numerous steps that go into the production and delivery of the supplies you need for your business. Along that chain there could be any number of events that may disrupt supply such as natural disasters, industrial disputes, business failure, government regulation, accidents, legal issues, quality issues, transportation problems, bad weather, and so on.

While these events are outside of your direct control, especially if you rely on other businesses to supply you, you can take steps to reduce the negative impacts such events can have on your ability to source key supplies.

These steps should assist you to continue to operate in a difficult environment and may give you an advantage over competitors that are not as well prepared for such disruptions.

To access the full document – “[Supply Chain Resilience](#)” that details the steps that businesses can take to strengthen their supply chains, please click on the link [HERE](#). A recent McKinsey & Co article on this topic – “[Reimagining Industrial Supply Chains](#)” can be accessed [HERE](#).

### Tips for Managing Accounts Receivables

Having credit policies in place, performing credit checks on customers, having a partial payment policy and being clear and upfront about your payment expectations both in person and on your invoices will go a long way towards ensuring that your small business gets paid and doesn't get stuck with high levels of bad or doubtful debt.

To access a good concise summary – “[Tips for Improving the Management of Credit and Receivables](#)” please click on the link [HERE](#).

## Stagekings: The Australian Business Pivot Story

### The Background Story – In Their Words

“On Friday 13<sup>th</sup> March 2020, the Prime Minister announced measures that lead to the immediate shutdown of our entire industry, by placing impossible restrictions on all events. It was the first national industry to completely fall over due to the COVID-19 crisis, and it happened very, very quickly.

We were half-way through building a massive set for Formula 1 in Melbourne; we were half-way through constructing possibly the largest truss structure in the country for Channel 9's Ninja Warrior live film set; we were bumping out our incredible giant stainless steel spherical cricket balls from the T-20 World Cup. We were having discussions with dozens of event companies and agencies about creating some really awesome stuff.

In the space of just 48 hours, our entire income and job list for the remainder of 2020 (and beyond) was completely cancelled, and we had no choice but to make massive and instant cuts to our business.”

*“The mix of emotions I felt was impossible to put into words” says CEO Jeremy Fleming. “Letting all of our hard working, loyal staff go was too much to bear. I felt sick to the core. We pretty much decided there and then that we had to - HAD to - come up with something to survive”*

### Time to get Creative – The Product Pivot

**“We gathered our talented team together, and we brainstormed. But this time, it wasn't to impress a client - it was for survival of our business. This had to be our best work yet.**

We thought about what people would need at a time like this and realised that tens of thousands of Aussies would have to start working from home with almost immediate effect. We had a CNC router (specialised cutting machine), a large and well-kitted out warehouse set up to custom make pretty much anything, and an unbelievably talented team on tap, so we decided to produce super-simple but beautiful work-from-home desks - *Stagekings* style.

**Overnight, our Head of Production came up with a design that has rapidly expanded into the now expansive and iconic ‘IsoKing’ home furniture range.** Flat-pack, fast-to-assemble slot-together designs made from beautiful Birchwood ply, with no need for fixings, tools or DIY skills to put them together.

It was an instant hit with the Australian public, and we started to receive an onslaught of media attention, which were desperate for a feel-good story in amongst the public despair of COVID. Three months later, and Jeremy was still doing media interviews every single day! We were even invited to represent the Australian Event Industry and meet the Prime Minister in person to show off our new IsoKing products and discuss the impact of COVID-19 on our much-loved industry.

**In just the first three months we made nearly 10,000 IsoKing products and sent them across Australia to thousands of new awesome customers.** We quickly expanded the product range to more than 40 items, and we are releasing new products every week. It's been good for business, great for morale, and has kept us afloat and busy during some strange times.

**But by far the best bit for us is how the knock-on effect of this success has been helping out our legendary event colleagues at a time when they really need it.** We increased our workforce from twelve to over fifty people working across four states, re-employing our entire staff base and quickly adding to the team with all kinds of highly skilled

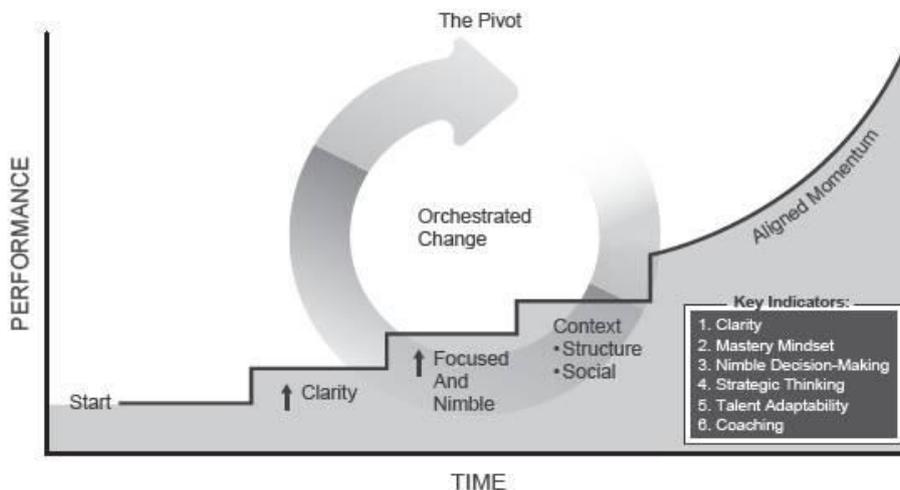
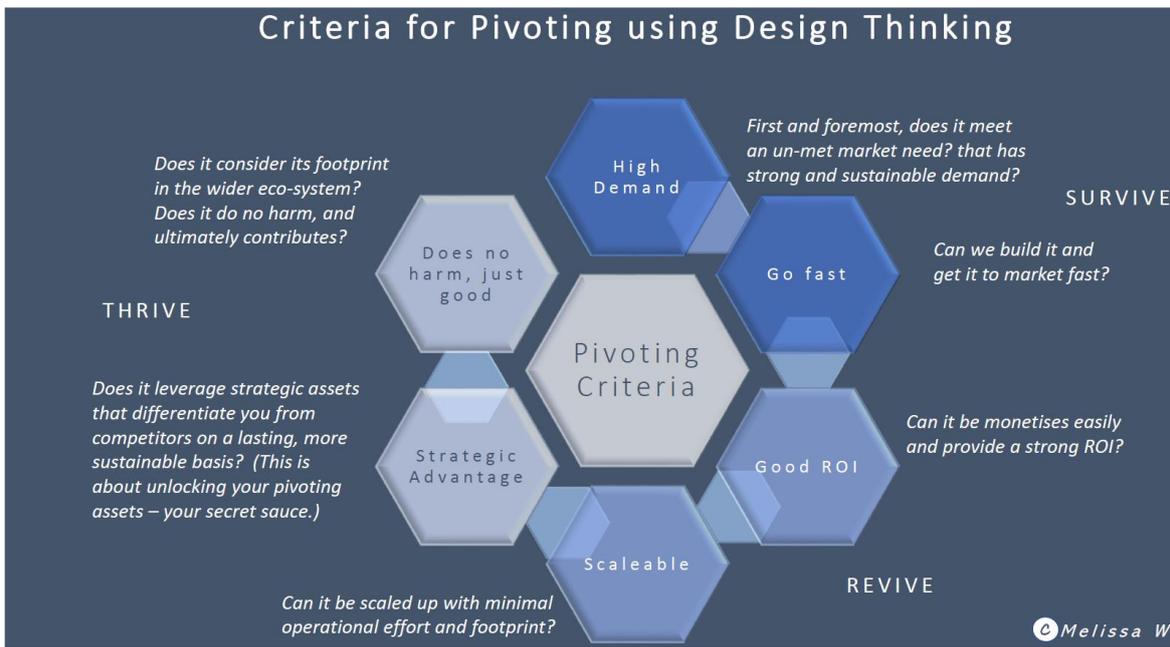
event freelancers who found themselves out of work due to COVID-19. It was pretty much a dream team that you may never have had the chance to hand pick during more normal times.

Best of all, right at the start we decided that we would donate a portion of sales to [Support Act](#), the Aussie charity that is the heart and hand of the event & entertainment industry. We are very, very proud to say that we were able to donate more than \$35,000 to them in just the first three months of IsoKing, and we are looking forward to continuing to support them into the future.”

**Approach to an Effective Business Pivot**

The *Stagekings* story is a wonderful example of the implementation of an effective **business pivot**- a term used to describe a quick turnaround, usually in response to a changed external environment – in this case the impact of COVID on selective industry operators because of direct or indirect business restrictions imposed by the government. **This external change (a “crisis”) then creates a need to turn away from one customer segment and focus on a new one – if it can be found in a very short timeframe.**

The diagrams below provide a good summary of the key components required to be addressed for a successful pivot to happen.



( c ) Lori Michele Leavitt

Find additional resources at [ThePivotBook.com](http://ThePivotBook.com)

**Source: Book – “The Pivot” – LM Leavitt**

**If you require assistance with turning around your business post-COVID, please contact Lyall Bear, our Business Advisory consultant at CBSW.**

## Family Business: Moves for Responding to Crises

As you turn to the questions of how to understand and respond to the crises and their impacts on your business and family, perhaps this article describing *the three-question reflective model* is helpful: -

**What?** – to understand what is happening and where attention is most needed, build a comprehensive dashboard model to triage situations and assess risk in business and family arenas.

**So What?** – to help understand the significance and choose the most appropriate problem-solving process for each situation, consult a model drawn from Complexity Theory.

**Now What?** – to select among options for how to respond, use a Levels of Change framework, while comparing these to your personal and/or organisational disposition and preferences.

### 1. **What?** – Assessing and Qualifying Risk.

During a time of crisis, leaders are well served to make a comprehensive inventory of areas of concern across multiple domains. This inventory can help uncover pockets of strength and opportunity as well as risks and concerns.

One way to build this inventory is to use a dashboard tool, which lists all relevant areas of concern, and captures information to assess risk using a Green-Yellow-Red categorisation.

**RED** - Functioning is highly impaired or stopped, emergency-level concerns that need immediate and significant attention and support.

**YELLOW** - Functioning is impaired or diminished, urgent or ongoing concerns that are likely to be resolved with additional attention and/or resources.

**GREEN** - Functioning well and goals achieved, managing stressors, fully executed plans in place, little or no need for attention.

In this example, analysis is organised using the categories of the *Three- Circle Model (Business, Family and Ownership/Governance)* and the long-term timeframe is provided given the multi-generational nature of families in business.

AREA OF CONCERN	IMMEDIATE RISK AND/OR OPPORTUNITY <i>0-6 months</i>	SHORT-TERM RISK AND/OR OPPORTUNITY <i>7-18 months</i>	MEDIUM-TERM RISK AND/OR OPPORTUNITY <i>1.5-3 years</i>	LONG-TERM RISK AND/OR OPPORTUNITY <i>3-20 years</i>
<b>BUSINESS</b>				
Leadership				
Marketing/Sales				
Manufacturing				
Financing				
(additional relevant areas...)				
<b>FAMILY</b>				
Governance Structures				
Family Council				
Relationship Support				
Succession Plan				
(additional relevant areas...)				
<b>OWNERSHIP</b>				
Governance Structures				
Owner Group/ Council				
Estate Plans				
Succession Plan				
(additional relevant areas...)				

The results can provide a bird's eye view to inform action and strategic planning. This approach also helps leaders ask themselves and their stakeholders about immediate areas of focus due to the crises, and if repeatedly updated, invites a review of risks and opportunities over time.

Family enterprise leaders can ask questions such as:

- *Given the disruptions and shifts you are seeing in your area of concern, what changes or opportunities becomes more possible or achievable in each time frame?*
- *In your area, where do you see an opportunity to address goals that have not yet been achieved or are emerging due to recent shifts?*
- *How might you connect with and support other areas of concern in more effective or new ways?*

As an example, a family enterprise client in Real Estate Development might use this analysis to connect a plan in the Business to update large credit facilities with initiatives for Ownership structure and estate planning and would be able to coordinate these for optimum valuation and favourable tax impact.

## 2. So What? – Choosing the Best-Fit Problem-Solving Approach for Each Challenge

Once a problem or opportunity has been identified, success will be much more likely if the approach is appropriate to the level of complexity involved. Just as you wouldn't bring a bucket of water to a forest fire, or a hammer to repair a computer, you wouldn't want your clients to address a business or organizational challenge with an inadequate or inappropriate approach.

The Cynefin Framework, (pronounced ku-néh-vin), developed in 1999 by Welsh scholar Dan Snowden, offers a way to evaluate situations in terms of predictability of outcomes using four categories: Obvious, Complicated, Complex, and Chaotic. It also provides guidance to choose the most appropriate methods to analyse and address them.

The table below provides an overview and suggestions to help you apply the model to many challenges your clients might be facing:

	Obvious	Complicated	Complex	Chaotic
<b>Examples</b>	Bake a cake, Solve a math problem	Build a rocket, Start a business	Raise a child, Lead a large conglomerate business	Navigate in a hurricane, Participate in a riot
<b>Nature of Solutions</b>	One or a few well known, right answers	Open-ended, range of good options	No right answers, only possible answers	No answers
<b>Cause &amp; Effect Relationship</b>	Known:  Perceivable, Predictable, Repeatable.	Potentially Knowable:  Unclear, Separated in time and space, Predictable	Retrospectively Coherent:  Emergent, Evolving, Not repeatable	Incoherent:  Unknowable, No patterns, Unpredictable
<b>Goal</b>	Best Practice	Good Practice	Emerging Practice	Novel Practice, move to more stability and order
<b>Who can do it</b>	Anyone	Expert	No one person, a network or team	Not manageable
<b>Action Sequence</b>	<i>Sense, Categorize, Respond</i>  with a Solution	<i>Sense, Analyze, Respond</i>  with a Plan	<i>Probe, Sense, Respond</i>  to move to Complicated	<i>Act, Sense, Respond</i>  to move to another domain

In times of crisis and rapid change, many situations fall into the Complex category. These are multi-determined, non-repeatable situations that defy simple solutions or expert judgment, such as the movement of financial markets and the behaviour of family members under stress in a large family system. The Cynefin distinctions can help us to see the risk of underestimating the challenges in a crisis and avoid the tendency to treat unknowable Complex problems as if they could be solved using a pre-existing plan or formula. The best approach in these situations is to conduct many small, low risk experiments and analyse the results to understand the emergent, evolving nature of the situation.

Once enough data and experience has been gathered, the goal is to then develop flexible approaches or 'rules of thumb', and eventually apply expert analysis and address the situation as a Complicated problem.

### 3. Now What? – Deciding How to Act

Once the problem areas and their level of complexity are identified and understood, it is crucial to develop a vision and plan to move forward. Crises, however painful, also serve to loosen constraints and expand the range of options usually considered too risky or impossible to accomplish. Despite the dynamics of crises, our personal preferences towards change can limit the options we consider, and we risk missing opportunities to take, facilitate or recommend action for far-reaching changes that could have great benefits.

*“Just as you wouldn’t bring a bucket of water to a forest fire, or a hammer to repair a computer, you wouldn’t want your clients to address a business or organizational challenge with an inadequate or inappropriate approach.”*

Research has confirmed that people have varying comfort and interest in change, and in 1997, Rolf Smith proposed a model of 7 Levels of Change which can be grouped into three categories:

#### Getting Things Right:

- 1) Effectiveness: Doing the right things
- 2) Efficiency: Doing things right
- 3) Improving: Doing things better

#### Doing Other Things:

- 4) Cutting: Doing away with things
- 5) Copying: Doing what others are doing

#### Doing Different Things:

- 6) Different: Doing things no one else is doing
- 7) Impossible: Doing things that can’t be done

**Crises often push us out of the domain of the steady and stable ‘Getting Things Right’ category and invites us to do ‘Other or Different Things’ to meet shifting and emergent challenges.**

When we are told to isolate ourselves at home, when our business comes to a halt due to lack of customer demand, when protests call for fundamental social change, we are well served to consider a wide range of responses. **The difficult thing is that research on innovation and personality type has found that 67% of people are resistant to changes above Level 3! Families and organisations also display persistent cultural patterns, and many strive for stability, consistency and predictability.**

So, when considering how to respond to crises, it is important get clear about your own and your business preferences and biases towards change and consider ways to increase the range of options.

**Strategies might include the following: -**

- **Assure that you and your client family or team solicit and consider options at each level of change;**
- **Strive to be open to reforming or re-imagining an area or function to meet the demands of the crises as well as the many and profound changes that have occurred in society and business over the recent decades; and**
- **Plan to provide support and guidance to the many people and organisational units where the experience of change is a very real and significant challenge and stressor.**

Hopefully, the approaches in this article can help you in times of crisis to proceed wisely and prosperously, by identifying business, family, and ownership areas that need attention; understanding the nature and complexity of problems; and considering a full range of options for responding to and/or creating change.

## Research and Development - Commencing A Project

The Research and Development Incentive (for companies with turnovers under \$20 million per annum) – is currently **calculated at 43.5% of all eligible research and development expenditure.** This article will elaborate on how to determine what is eligible R & D expenditure, as the matter is complicated and requires a systematic approach.

**Only companies can claim the Research and Development Incentive which is conducted on the “self-assessment basis” – the company must maintain adequate records to substantiate that the research and development activities were conducted.**

The experiments do not have to culminate in a commercially successful outcome to be able to be claimed as research and development incentive so long as the research and development process has been conducted in accordance with the requirements of the legislation.

**The company must have spent at least \$20,000 in the financial year on legitimate research and development activities.**

Research and development normally begins with the identification of an 'idea' and some preliminary investigation. The 'idea' would normally have been generated from the company's leadership team or team members having a discussion perhaps over a cup of coffee and deciding that a particular 'idea' might be worthwhile looking at to see whether it would improve a process, product or service that was being utilised within the business.

The team that is working on the project needs to undertake 'prior art searches'. At the beginning, this will be a preliminary prior art search to enquire as to whether there is any evidence that a product, process or service similar to that which is being developed from the 'idea' is already known. Prior art does not need to exist physically or be commercially available. It's enough that someone, somewhere, in the world sometime previously has described or shown or made something that contains the use of technology that is very similar to the idea that is being discussed.

An existing product is the most obvious form of prior art. This can lead many inventors to make a common mistake: just because they cannot find a product containing their invention for sale in any shops, or distributors or on the Internet, they assume that their invention must be novel. The reality is very different. Many inventions never become products, yet there may be evidence of them somewhere. That evidence – whatever form it may take – will be 'prior art'.

If no prior art is identified from this preliminary research, it is reasonable to move on to the next stage which is the determination of a hypothesis or several hypotheses. A 'hypothesis' requires a statement to be proven right or wrong by conducting an experiment. A 'hypothesis' relates to a specific matter by conducting:

- experimental activities (whose outcomes can only be determined by a progression of work);
- that proceeds from hypothesis to experiment, observation and evaluation and leads to ultimate conclusions; and
- the systematic progression of work is conducted for the purpose of generating new knowledge.

The hypothesis statement needs to be recorded in writing and then by experiment needs to be proven or disproven.

If the small team developing this concept of a new 'idea' is satisfied that they're able to proceed on a legitimate research and development project, it is advisable to then produce a Research and Development Plan which identifies the hypothesis or hypotheses and outlines the new knowledge to be obtained. It is a good idea to prepare a Research and Development Budget on this project and submit the Research and Development Plan and the Research and Development Budget to the Board of Directors for approval. Then the research and development process can begin with accurate records being kept of all experiments and the results, as well as the costs.

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