BusinessPlus+ Newsletter

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Get that Business Grant - Application Tips

Funding is becoming increasingly difficult to get with more competition and less money available. So, what I have here are five grant writing tips to ensure you write a standout application that helps your business be better placed to get the grant.

Demonstrate the Need for Your Project

If the grant assessors are not convinced that your project is sorely needed, then they will not see the benefits it will deliver. Without significant benefits, you can't possibly meet their funding program objectives and they will not give you any money.

But how do you demonstrate this exactly? Through stories and statistics!

Statistics: You need to do some research about the demographics of your location, undertake or collect survey data and look into academic research. Census and Google are your friends in this area! Conducting a survey to demonstrate the need for and interest in your project is another good way to provide statistics and evidence. And a quick Google search on the reason your project is needed should come up with reports you can reference to demonstrate need.

Stories: In addition to providing the solid evidence, you also need to tell the story to demonstrate why your project is needed. The story links all the statistics and relates them to the funding objectives. The story you tell demonstrates the on-the-ground impact that your project will make. The story makes it real for the assessor. It takes the **evidence and personalises it so that the need is clear for anyone to see.**

Answer the Key Questions

Grant applications are all different in what they ask you and how they ask you to provide the information.

However, there are some key questions that you need to ensure you answer in every application in order to produce a strong grant application. **These key grant questions include – Why, Who, What, When, How & Cost.**

Funding bodies will **ALWAYS** need this information in order to determine whether they should fund your project and your organisation as it shows them how you will give them what they are paying for and proves you won't waste their money. If you consistently and thoroughly answer the key questions, you will dramatically increase your success rate when it comes to your grant application.

Read the Provided Guidelines

It is amazing how many people submit an application for a grant that they are not eligible for, or don't actually answer the questions in the application. **Before you even begin writing your application – read the eligibility criteria carefully** and make sure your organisation and your project meet the criteria. If you aren't eligible there is no point wasting your time in applying.

The grant guidelines tell you why the funding body is giving away money. What are they trying to achieve by providing the funds? Showing the funding body that your project will meet their objectives is key to writing a successful funding application.

The guidelines will also contain the assessment criteria. These are the criteria on which your application is scored. You need to answer the question that is asked – don't get caught up in talking about how great your project is and forget to answer the specific question.

Keep a copy of the assessment criteria handy when writing the grant and constantly refer back to them to ensure you are answering the question. **Then check again at the end!**

Plan, Plan and Plan Even More

In the world of grant applications, **planning is KEY to the SUCCESS of your project** and your grant application. As the old saying goes "Failing to plan is planning to fail". Creating a Project Plan is the first thing you should do when you need funding for a project, whether that funding is coming from a grant or sponsorship. Discovering the perfect grant for your great idea often means people rush the project planning side, not realising how vital it is for grant success.

A project plan is a MUST for all winning grant applications it can make or break your grant application. Having a clear plan for your project will ensure your project can demonstrate its need, viability and feasibility.

Speak to the Funding Body

Don't be afraid to ask questions of the funding body. Talk to them about the fact you're considering applying and tell them about your project. They may have some ideas to strengthen your project or may give you quality advice. Some funding bodies even offer to review your application and provide feedback if you send it to then within a certain time before the due date. **Importantly though, if you're not sure of something, pick up the phone and ask for clarification.**

Working Capital Refinancing Opportunity for a Business Partnership

A general law partnership is formed when two or more people (*and up to, but not more than, 20 people*) go into business together. Partnerships are generally set up so that all partners are equally responsible for the management of the business, but each also has liability for the debts that business may incur.

A typical scenario when launching a business based on a general law partnership structure sees each partner advance some working capital to start up the enterprise. As the income years come and go, each partner takes a share of the profit and counts this as part of their personal assessable income for tax purposes.

However as the business becomes established, or better yet proves to be viable and becomes a successful operation, there is likely to come a time when its working capital — which had been financed from each partners' pocket — can be refinanced through the partnership business borrowing funds.

For such partnerships, there is a "refinancing principle" under tax law that spells out some general principles governing the beneficial deductibility of loan interest in such circumstances.

As a general rule, interest expenses from a borrowing to fund repayment of money originally advanced by a partner, and used as partnership capital, will be tax deductible. This is covered in income tax ruling TR 95/25. The ruling states that to qualify for a tax deduction, the interest expense "must have sufficient connection" to the assessable income producing activities of the business, and must not be "of a capital, private or domestic nature".

However, interest on borrowings will not continue to be deductible if the borrowed funds cease to be employed in the borrower's business or income producing activity. Nor will deductibility be maintained should borrowed funds be used to "preserve assessable income producing assets". There is also a limitation on deductibility of loan interest in that borrowings to repay partnership capital can never exceed the amount contributed by the partners.

The ability to make these interest expense deductions under the "refinancing principle" is generally limited to general law partnerships — and not tax law partnerships - such as those used to jointly purchase an investment property. This principle would also not apply to companies or individuals. (There are very prescribed conditions where, for example, a company may make such a claim, but under very specific circumstances.)

To access a copy of a "*Business Funding Cost Effectiveness Questionnaire*" to review your business finances, please click on the link HERE.

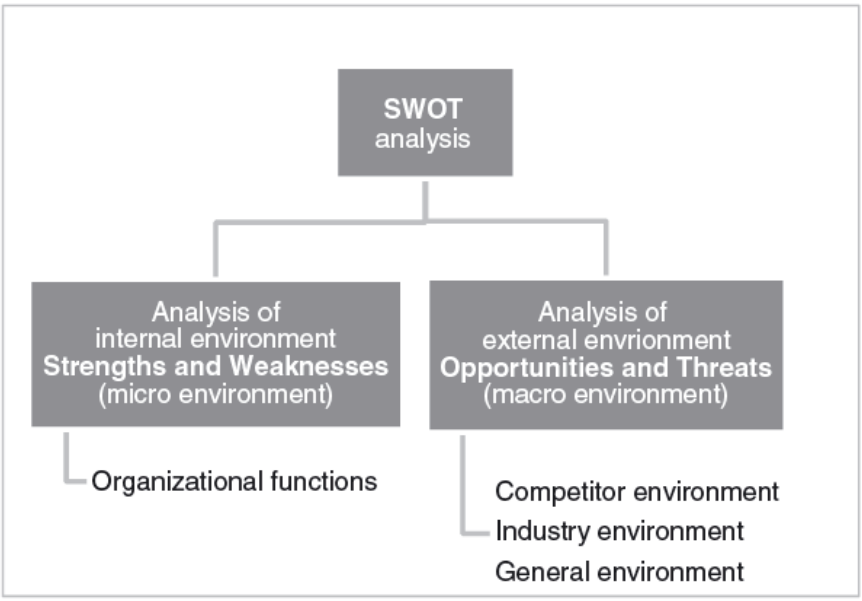


Figure 1 SWOT analysis main components.

A SWOT analysis can still be helpful tool for insight or planning if you change the way you use it. How do we mean? By turning the SWOT process on its head.

The traditional approach of identifying internal factors first (strengths and weaknesses) and then moving to external factors (opportunities and threats) just isn't effective. **To improve the analysis process, you should start with the external factors and then turn your attention to the firm's internal ones.**

There are several reasons to recommend taking this approach. First, these environmental conditions exist not only for your firm but for all competitors. In effect, the external factors create the arena in which the competition takes place. Managers must adjust their strategies to reflect it, even as this environment changes. Since no business operates in a vacuum, it is the context around it that helps determine to what extent any particular internal attribute is relevant.

Meanwhile, focusing on the external factors first can get you thinking more broadly about the internal factors, reducing the risk of myopia. In other words, taking this approach can lead you to uncover internal factors that you might not have otherwise considered.

Then, once you complete your inventory, you can actually use the factors to conduct a true analysis that can result in strategic recommendations for planning. **Specifically, here's how we recommend proceeding.**

First, gather an inventory of relevant business environmental conditions — the threats and opportunities:
At this stage, don't worry about whether these are positive or negative. Remember, we don't want to take shortcuts. There are existing tools designed for organising an environmental scan, such as the PEST, PESTEL, and STEEP, but don't feel limited to these tools. If you have other preferred tools to help you organize the external factors, you can use them.

Next, explore internal strengths and weaknesses:
Here, too, ignore whether they are potentially positive or negative. Your first job is to inventory the attributes. The relative positivity or negativity of a factor included in the inventory may again be a function of the external environment. At this early stage of the analysis, it is more important that the factors are included than how they're categorised beyond simply being external or internal. Don't settle for one- or two-word descriptors like "price" or "technology." Explicitly spell out the situation with a detailed phrase or a sentence.

Generate recommendations with a simple sentence:
With your external and internal inventories in hand, generating recommendations is now much easier. Simply consider each external factor's relationship to each internal factor. To help, you might want to complete this sentence:

Given the condition of [external factor], our ability to [internal factor] leads to our recommendation that we [recommendation].

You may find that some external factors will not readily apply to certain internal factors, which means they might not lead to a recommendation. Yet, given enough time or with a creative group working on this analysis, you might develop options that you would not expect to reach, based on combinations of external factors and internal factors.

Let's take an example, using the external factor of an economic recession or downturn as a starting point.

In a traditionally conducted SWOT analysis, one might include the objectively internal attribute of "price" in all four of the cells because it's a strength (the firm's product costs less to purchase than the competition's), a weakness (people have less money to spend on the product), an opportunity (the firm can afford to run a price promotion), and a threat (the competition can easily undercut what the firm charges). This is not an analysis; it is merely a set of poorly supported suggestions.

In the suggested alternate SWOT model approach, the template listed above could lead to one or more thoughtfully developed recommendations such as:

Given the condition of *our current recession*, our ability to *realise cost savings over our competitors* leads to our recommendation that we *reduce our price*.

The model doesn't stop there. Several other recommendations might flow from the use of this template, under the stated conditions. For instance, following the prescribed process for the analysis, the external factor would then be combined with another factor from the internal inventory, and then another, with each possibly (but not necessarily) leading to a unique recommendation:

Given the condition of *our current recession*, our ability to *maintain strong relationships throughout our distribution channel* leads to our recommendation that we *offer discounts to our channel partners to help them weather the storm*.

Or, for a perceived weakness:

Given the condition of *our current recession*, our *low brand recognition* leads to our recommendation that we *target this brand for reduced marketing support, in favour of our stronger brands*.

By looking at the external conditions, in conjunction with internal attributes, a set of clear-cut and supported recommendations can be generated. And this should be your goal: Using an analytical tool to help you identify a wide range of possible actionable outcomes. The process is straightforward and demands attention to a range of internal and external factors, and the results are recommendations that are more thoroughly developed and grounded.

Summary

The SWOT analysis is a recognised tool to identify an organisation, department, product, or service's strengths, weaknesses, opportunities, and threats. Yet, despite the tool's wide use, it's often conducted ineffectively, making the analysis less than insightful with no clear path to action. Part of the problem lies in focusing on internal factors — strengths and weaknesses — first. **But by turning it on its head, you can conduct a better analysis that can result in more actionable strategic recommendations by: -**

- **Firstly**, gathering an inventory of relevant external environmental conditions — the **threats and opportunities;**
- **Next**, exploring **internal strengths and weaknesses**;
- **Finally**, **generating recommendations using this simple sentence**: *"Given the condition of [external factor], our ability to [internal factor] leads to our recommendation that we [recommendation]."*

By looking at the external conditions first and internal attributes second, you will generate a better set of clear-cut and supported ideas for moving forward.

If you would like a pdf copy of the guide – *"A Useful Guide to SWOT Analysis"* please click on the link HERE. This guide includes many very good diagrams and examples that can be used by business owners for their own SWOT analysis.

Lyall Bear our Business Advisory contact can also provide some further useful templates for undertaking a SWOT Analysis.

TOWS	Strengths (internal to the company) 1 2 3	Weaknesses (internal to the company) 1 2 3
Opportunities (external market influencers) 1 2 3	Strengths/Opportunities **What company strengths will help us close on the available opportunities?**	Weaknesses/Opportunities **What company weaknesses will stop us from closing on opportunities?**
Threats (external market influencers) 1 2 3	Strengths/Threats **What company strengths will help us keep the market threats away?**	Weaknesses/Threats **What company weaknesses will be made worse by the current market threats?**

Insolvency Lifeline for Some Small Businesses

The Australian Government has made changes to the ATO's insolvency framework to help more small businesses restructure and survive the economic impact of COVID-19, especially after JobKeeper support winds up on 28 March 2021.

The insolvency system is facing a number of challenges:

- An increase in the number of businesses in financial distress because of COVID-19.
- A "one-size-fits-all" system, which imposes the same duties and obligations, regardless of the size and complexity of the administration.
- Barriers of high cost and lengthy processes that can prevent distressed small businesses from engaging with the insolvency system early, reducing their opportunity to restructure and survive.

Under the reforms, where restructuring is not possible, businesses will be able to wind up faster, enabling greater returns for creditors and employees.

The package of reforms features three key elements, available from 1 January 2021: -

- A new formal debt restructuring process for small businesses to provide a faster and less complex mechanism for financially distressed but viable firms to restructure their existing debts, maximising the chance of them surviving and contributing to economic and jobs growth.
- A new, simplified liquidation pathway for small businesses to allow faster and lower-cost liquidation, increasing returns for creditors and employees.
- Complementary measures to ensure the insolvency sector can respond effectively both in the short and long term to increased demand and to the needs of small business.
- Also, statutory demand thresholds have increased, meaning that a creditor must have a much larger debt owing to it by the company before it can issue a statutory demand. The new statutory minimum for individuals increased from $5,000 to $10,000.

In addition, until the end of July 2021, small companies eligible for temporary restructuring relief have had the threshold increased from $2,000 to $20,000 and have also had the time for them to respond to a statutory demand increased from 21 days to six months.

Eligibility

The new processes are available to incorporated businesses with liabilities of less than $1 million (excluding employee entitlements), and include:

- simplified liquidation – you must have all your tax lodgements up to date to be eligible

- restructuring – before providing a restructuring plan to creditors you must have paid all employee entitlements that are due and payable (including superannuation)
- your tax lodgements up to date (or at least been "substantially complying" with this requirement).

The reforms adopt a "debtor in possession" model. That means that the business can keep trading under the control of its owners while a debt restructuring plan is developed and voted on by creditors. In other words, the directors are immune from being held liable for insolvent trading during this period despite the company being insolvent and continuing to trade.

Business owners will be able to trade in the ordinary course of business when a plan is being developed; prior approval of a small business restructuring practitioner will be required for trading that is outside the ordinary course of business.

The business owners will be required to work with the practitioner to develop and put forward a restructuring plan and to provide information about the business's financial affairs to the practitioner to assist with identifying creditors and to assist creditors in making an informed decision on the restructuring plan.

Safeguards will be included to prevent the process from being used to facilitate corporate misconduct such as illegal phoenix activity. They include a prohibition on related creditors voting on a restructuring plan, a bar on the same company or directors using the process more than once within a prescribed period (proposed at seven years), and the provision of a power for the practitioner to stop the process where misconduct is identified.

Simplified Liquidation

Regulation around liquidation in Australia, including mandated investigative functions, is suited to large, complex company failure, where intentional misconduct may have been involved. However, most liquidation appointments in Australia relate to small businesses, who overwhelmingly fail "honestly". In these cases, the costs of the liquidation can consume all or almost all of the remaining value of a company, leaving little for creditors.

Under the new process, **also accessible to incorporated businesses with liabilities of less than $1 million**, regulatory obligations have been simplified, so that they are commensurate to the asset base, complexity and risk profile of eligible small businesses. This will free up value for creditors and employees and allow assets to be quickly reallocated elsewhere in the economy, supporting productivity and growth.

The simplified liquidation process will retain the general framework of the existing liquidation process, with modifications to reduce time and cost. As currently occurs, the small business can appoint a liquidator who will take control of the company and realise the company's remaining assets for distribution to creditors. The liquidator will also still investigate and report to creditors about the company's affairs and inquire into the failure of the company.

Why is Business Strategy Activation Important?

It is vital to recognise that there's a big difference between the determination of a strategy and activation of this strategy. **As can be seen from the diagram above, it's the leadership behaviours of people that ensure performance and execution - otherwise known as strategy activation.**

It’s interesting to acknowledge the wise words from James Clear (author of Atomic Habits) as he declared in a recent newsletter that:

"***Without hard work, a great strategy remains a dream. Without a great strategy, hard work becomes a nightmare.***"

During 2020 many businesspeople were working incredibly hard and yet found themselves stopping and asking about the: -

- Relevance of what they were doing
- Purpose of the work they were undertaking and what the organisation was striving to do
- Sustainability of their effort in the longer term
- Recognition for such effort in the shorter term

Leaders everywhere have experienced significant events, decisions and situations since early March 2020 and have found themselves in unchartered territory - and for many they have done what they know best - focussed on getting stuff done! **Experience tells us that in times of crisis it’s human nature for people to over manage and under lead.**

Many leaders have been seen 'bunkering down' - thus creating the nightmare of hard work with not enough to show for it!

It’s critical now for all leaders to take a step back and up to create focus for themselves, others and the company and stop creating the 'nightmare of hard work'. They do this by producing a strategy. However as acknowledged by James Clear, once the strategy is produced, and then comes the hard work of strategy activation. This is notoriously difficult and not undertaken well within companies or by leadership teams.

Strategy Is Activated Through People

The only way a strategy can be activated is through the people and their behaviours. This requires accountability, discipline and a focus on the habits each person brings to the way they work. If they are simply presented with the strategy that was produced, usually in a document or a slide deck, followed by a presentation at say the company update briefing, then it’s easy for it to become overwhelming and confusing, lacking individual relevance and context. This is exactly why many people resort to their comfortable and habitual way of getting things done, regardless of what is recorded in the strategy document and what was presented to them at the company update.

How many strategy documents have you read or produced that refers to the importance of 'one team' and yet each year the silos remain intact as each person continues to use their well-developed and reliable habits to ensure operational performance meets the financial targets. However, the way people are working hasn't changed at all. That’s when you realise the true potential of the people and the company is not being realised and therefore limiting the products / services available to customers. This weakness becomes part of the SWOT analysis for the following year and once again integrated into the strategy... all companies have some of these 'white elephants' that just keep looming as unattainable year in and year out - what are yours?

Strategy Activation

You must start by anchoring behaviour change to key business outcomes that matter to participants and the organisational strategy.

It is essential people are engaged and empowered, believing their effort matters and the strategy IS crucial for success. Leaders who want to activate their strategy need to get serious about empowering people - this is the only way people turn up with a 'can do' attitude, solve problems, innovate, activate strategy and collaborate to achieve outstanding results. It’s the secret ingredient. For this to happen as shown above people are challenged to build new behaviours.

Monthly Operating Rhythm

Every leadership team has monthly (or weekly) meetings and they participate like 'clockwork' because it's part of their operating rhythm. For strategy activation to be successful then it's essential it's integrated into this rhythm.

We see enormous benefit in all leadership team members bringing a focus on the same behaviour during the same timeframe and speed the achievement of outcomes linked to those behaviours and the current environment, incorporated within the strategy. In this way everyone is on the same wave of change throughout the entire company and just imagine the operational impact. For everyone to be on board it's critical that each leader cascades these behaviours into each operational or functional team.

Create Context for Everyone

As we've shown above, strategy activation is highly dependent on the people who report to members of the leadership team - referred to as middle managers, people leaders - this is where the real work gets done - it's the operational hub of any company. This is where processes work, or don't and where the customer experience is delivered.

Middle managers and people managers are also the most overloaded and under pressure population of people within an organisation - being responsible for the day to day operational performance of the business, lead and manage change, lead people in their functional areas so they are engaged and productive, report to senior leaders while also making sure customers are happy and quality is high. **This level within any organisation must be ready for and committed to strategy activation or it won't work.**

It's therefore important to cascade strategy activation into these critical levels of the company. **This can be done through purpose-filled conversations where each person creates their own context for change in their day-to-day work. Each person takes accountability to change and to activate the strategy** - because they care, because they are motivated intrinsically to do so and they believe their efforts really matter.

Bringing a focus on habits is where the change is enabled - replacing the old habits with new habits - and this means helping people identify triggers for their old habits and seeing how the new habit can be embedded on a daily basis. It's all about the intentional conversations leaders and managers have to support, encourage and empower each other.

Doing It Differently This Year

We encourage leaders to think beyond the production of your strategy to the activation of your strategy. **Seek out ways to integrate strategy activation into your monthly operating rhythm. Ensure people are empowered and supported to make the changes.**

Family Business Succession Considerations

What Is Family Business Succession?

Family business succession is the orderly transition of the management and ownership of a family business to a future generation of family members. Family business succession therefore involves the processes of management succession and ownership succession.

- **Management succession** is the transfer of leadership and responsibility for the day-to-day management of the business, including compliance, governance and commercial decisions.
- **Ownership succession** is the transfer of the equity interest in the business entity, whether that be shareholding, partnership interest or beneficial interest in a trust. Owners do not necessarily have a say in management decisions.

Is Family Business Succession for You?

Family business succession is not the only way to exit a business and may not suit all family businesses. This section provides information which will help you identify whether succession is likely to suit your situation and **we have included a decision flowchart on the next page**.

Is There Potential for The Business to Stay in The Family and Be Passed on To Future Generations?

If there is no potential, you will need to consider other exit options.

Does the Next Generation Want to Take Over the Business Eventually?

Family members in future generations may have other plans for their lives and careers. Working in the family business on weekends as a teenager does not automatically translate into wanting to take over the business full time as an adult.

Perhaps their skills and interests lie elsewhere. Whilst it may be difficult to think of the business leaving the family, it may be the best option for all involved. **There are other options available to you, which you can see on page 14 of the full guide that can be accessed at the end of this article.**

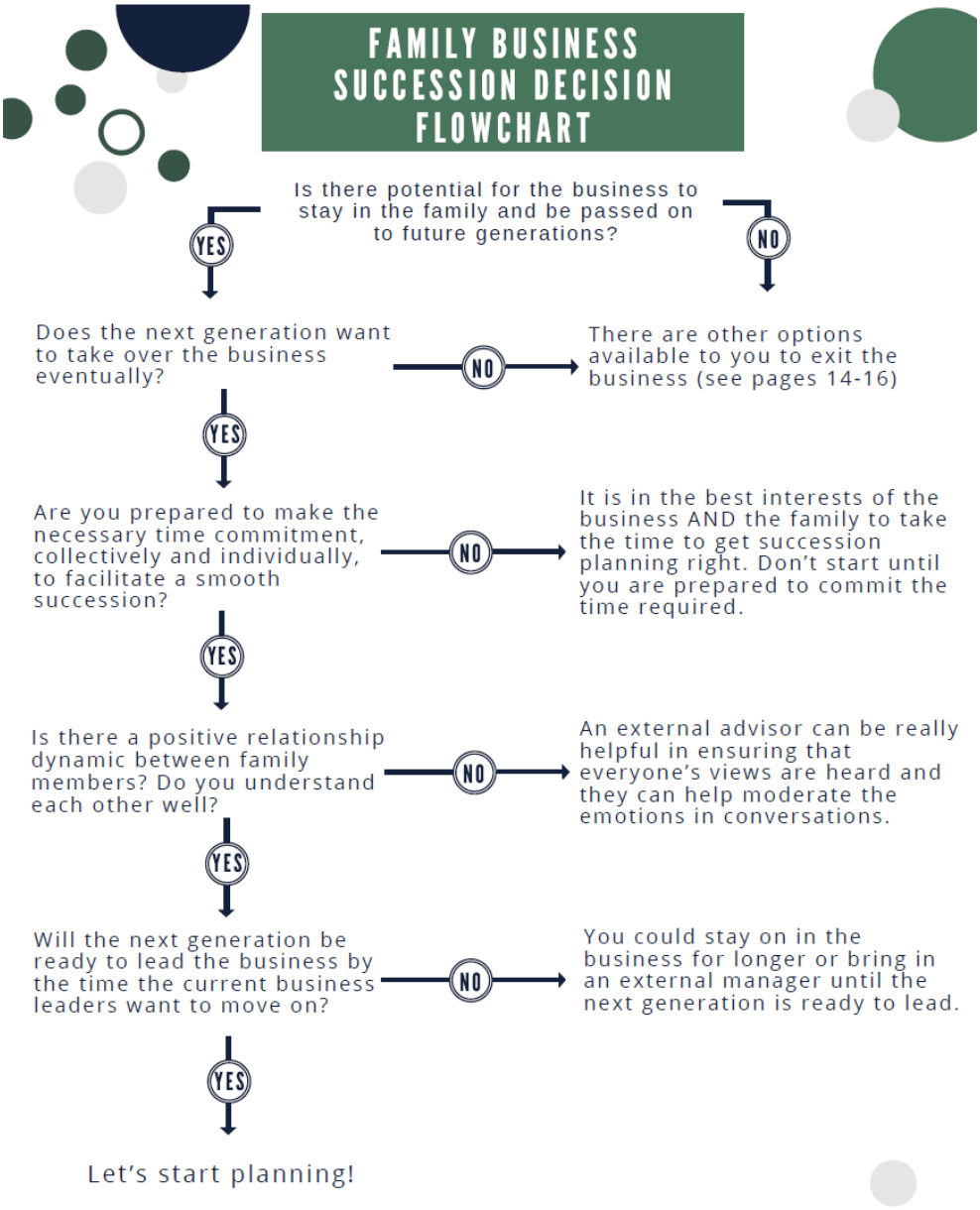
Are You Prepared to Make the Necessary Time Commitment, Collectively and Individually, To Facilitate A Smooth Succession?

Remember family business succession is a journey, not an event, and it requires time to be invested at regular intervals. Are you prepared to make the required time commitment for the next 3 to 5 years or more? Do you have agreement within your family on a realistic timeline? Is there a positive relationship dynamic between family members? Do you understand each other well?

Even in families, people are different. Some family members are loud, some reserved, and some are risk averse, while others are risk takers, and so on. Your family's dynamics have the potential to support or restrain the succession planning process.

Will the Next Generation Be Ready to Lead the Business by The Time the Current Business Leaders Want to Move On?

If there is some doubt on this, you might want to change your timeframe or consider bringing in an interim manager to both run the business and help upskill the next generation to eventually lead.



To access a copy of the complete "*Introductory Guide to Family Business Succession Planning*" prepared by the Australian Small Business and Family Enterprise Ombudsman and Family Business Australia, please click on the link HERE.

If you would like an initial consultation regarding family business succession in relation to your business, please speak to FBA accredited advisors Mark Nailer (Director) or Consultant Lyall Bear at CBSW.