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WORKOUT

High wages bring higher living costs

MALABRI in Western Australia, Queensland and South Australia are catching up with those in NSW. But so are their costs.

More's Australia and New Zealand Regional Differences 2009/2010 report says wages in Western Australia, the second highest in the nation, is 1.2 per cent above the national median level and about 1 per cent below New South Wales.

Wages in Victoria and 1 per cent Queensland 1 per cent and South Australia 1 per cent below the national level.

"The increased wages and resulting skills shortage have had a direct impact on wages in Western Australia," says Murray's head of business capital product solutions Bob Burns. "With its strong manufacturing sector, Western Australia also attracts average salary increases, in particular in senior and specialist staff."

"The focus has increased pressure on organisations, particularly in Queensland and South Australia, to ensure national pay rates for similar and similar level jobs. For example, 'top 100' firm information is becoming more prevalent in the Queensland public sector to allow firms to compete with the private sector for key talent."

"Businesses will need to look towards using more strategic staff as recruitment and training programs and skill migration to attract the talent to increase wages at this rate."

The lowest living costs in Perth, Brisbane and Adelaide when compared to Sydney and as a bonus, the Murray report says Perth is cheapest to get into.

But rental rates are rising. "Rental rates in Perth and Brisbane have been rising up dramatically in the past few years, reflecting the economic boom and rising living costs," Burns says. "We should note however, that despite the rise in living and wages in the high paying states such as Western Australia even not, particularly in the states that are struggling to manage rapid salary growth."

"Organisations face decisions as to whether to offer cost of living adjustments when relocating employees. Our destination to that state offers employees will receive an adjustment in compensation when moving to a more expensive destination. It is up to the employer, but equity does the former apply — it's very hard to apply a negative cost of living differential," Burns says.

The Murray report which includes data from 2008 compares across the impact of cost of living on the labour market in Australia and New Zealand.

Begin with a business plan

Answer a few vital questions before getting into business, writes Amy Byrne

I was long into it and then the offers and the increasing difficulty of juggling work and family commitments, that prompted Sydney architect Ruth Newman to leave her job with a city practice and set up a home business.

"I'd always thought about doing it," says Newman, 42, mother of two, 7 and 10 years, 4. "It just took the right situation to take the leap."

Newman started her business in March with two clients and the hope of getting enough work to keep busy, while still having time to do the daily school and child-care and attend to other family commitments.

Several months in, however, the business was so full with work Newman realised she needed to set more concrete goals and make decisions about direction.

"I didn't have a plan to start with, I just got in and did it," she says. "But then I got to a stage after about three or four months where I began thinking where do I want to be with this in five or six years? Do I want to stay in a home office or get premises elsewhere, do I get sub-contractors, do I employ people, how do I plan advertising, should I be in the Yellow Pages, how much advertising should I be doing? There were so many things to think about."

Newman signing up for a year-long workshop in business planning with the Dr George and Catherine Business Enterprise Centre, part of a national network of more than 150 centres for small business advisory services under the BEE banner.

That workshop led to a more comprehensive five-year plan, which has given her the knowledge and confidence to draft her own business plan.

"You start by writing your overall goals, then get into the nitty-gritty such as what sort of marketing you need to do, what you can outsource, writing out your cash flow including strong alliances and lowering your operating costs," she says. "The whole process has really made me think about my business, to go back and look at how I'm doing things and why."

As a home-based operation, Newman is part of one of Australia's fastest-growing business sectors. And like many of those who start off as sole traders at home, she did not see writing a business plan as a high priority at the start-up phase.

As money is fit part cost of small businesses in Australia do not have a formal plan. A business plan is not a collateral requirement, but experience is to provide in writing.

"A lot of people have a great idea but don't know how to achieve it," says George Barlow, of Melbourne, who spent 16 years in a business adviser with the National Australia Bank before setting up a private consultancy, the Lean Thinking Company, last year.

"You have to be thinking about all aspects of your business, not just what it is going to do with a profit business plan, you can get a lot of problems before you start."

Elaine McInnes, manager of the Dr George and Catherine Business Enterprise Centre, describes a business plan as a "road map for your business".

A comprehensive plan should include an assessment of the financial aspects of the business — such as comparing projected income and cash flow — but equally importantly it should set out the goals for the business and



Mapping out, Ruth Newman attended a course before drafting a business plan. Photos: Shutterstock

include a robust marketing strategy and an operational plan.

One issue is determining what point of difference the business will have, something else done with what is known as a SWOT analysis, a consideration of Strengths, Weaknesses, Opportunities and Threats.

"As a small business, you can't attract people on price — you need to be doing something else that people will appreciate or need," McInnes says.

Another quick advisory introduction used in business planning is SMART, a word formula used to set goals that are Specific, Measurable,

Achievable, Realistic and Time-based.

Drafting a do-it-yourself business plan is not difficult, thank an software programs available and online internet sites on which examples can be viewed and templates downloaded. Government Department website are also a good source of information — the NSW site www.smbc.bic.nsw.gov.au has a link to business planning on its home page. Government and community-based agencies such as the BEE network, also offer business planning advice and assistance, either free or at low-fee market rates. (The current timetables website was listed.)

Having a business plan professionally written

GETTING STARTED

- What a business plan should include:
- Financial plan including all expenses and income and a cash-flow forecast for at least the first year of business
 - Statement of goals and priorities
 - Key relationships, detailing customers and suppliers
 - Critical marketing plan
 - Operational plan including management structure
 - SWOT analysis (strengths, weaknesses, opportunities, threats)
 - Analysis of the competitive arena and legal requirements

is not a cheap option — the price a small business for such can run to several thousand dollars — but studies show the benefit is in being able to draw on the experience of the consultant and have the opportunity to focus ideas off an objective party.

"People who don't seek advice are writing themselves up for a fall because while you have a great idea, you don't want to lose an opportunity," he says.

"We encourage people to think about every aspect of their business. We have about 40 questions that we ask of everyone who comes to help to do a business plan, and we don't go to the next stage until they can answer all of them."

Business planning is an ongoing process and most managers review their plans as frequently as every month.

For this reason, business plans are best made succinct. According to McInnes, less is more: plans in general, in whatever format is most convenient — one of her most successful clients has been as a piece of folded paper stuck to the wall. Barlow has laid out a single Excel spreadsheet. "Business plans that are 30 or 40 pages long are a waste of time. People spend too much time writing them that don't write them because they are stuck in a filing cabinet out of sight," he says.

Such summary style plans do however generally need supporting documents that are more detailed, especially in relation to the financial aspects of the business. The business team important if bank finance is required.

Bob Lockhart, national business advisory manager for Whitaker, says a bank needs to be able to see that a business is going to be viable before it will approve a loan.

"The financials are the most important thing from the bank's perspective, but it's not just the numbers the rest of the business plan but to support those figures," Lockhart says.

"We're interested in particular in the cash-flow projections, but we need to be able to see how the plan has been done. How are you going to get those sales, what research have you done into your competitors, who are your customers going to be and what are they going to buy from there — to give us a bit of an idea that you think you can reach those targets."