

# How to Organise & Operate a small business in Australia

10th EDITION

How to turn ideas into success  
from Australia's leading small business writer

John English

  
ALLEN & UNWIN

## Disclaimer

The information contained in this book is to the best of the author's and the publisher's knowledge true and correct. Every effort has been made to ensure its accuracy. Neither the author nor the publisher accepts any liability for any loss, injury or damage caused to any person acting as a result of information in this book nor for any errors or omissions.

First published in Australia in 1981  
This tenth edition published in 2006  
Copyright © John English 2006

All rights reserved. No part of this book may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording or by any information storage and retrieval system, without prior permission in writing from the publisher. The *Australian Copyright Act 1968* (the Act) allows a maximum of one chapter or 10 per cent of this book, whichever is the greater, to be photocopied by any educational institution for its educational purposes provided that the educational institution (or body that administers it) has given a remuneration notice to Copyright Agency Limited (CAL) under the Act.

Allen & Unwin  
83 Alexander Street  
Crows Nest NSW 2065  
Australia  
Phone: (61 2) 8425 0100  
Fax: (61 2) 9906 2218  
Email: [info@allenandunwin.com](mailto:info@allenandunwin.com)  
Web: [www.allenandunwin.com](http://www.allenandunwin.com)

National Library of Australia  
Cataloguing-in-Publication entry:

English, John W., 1944- .  
How to organise and operate a small business in Australia :  
how to turn ideas into success.

10th ed.  
Includes index.  
ISBN 1 74114 880 4.

1. Small business – Australia – Management. 2. Small  
business – Management. I. Title.

658.0220994

Typeset in 11/15 Baskerville by Midland Typesetters, Australia  
Printed in Australia by Southwood Press, (02) 9560 5100

10 9 8 7 6 5 4 3 2 1

# Contents

Figures

ix

Preface

x

## **Part A: Preparing for self-employment**

- 1 The self-employment decision** **3**
  - The power of being small • Types of small businesses
  - Pros and cons of self-employment • Personal characteristics and success • Management skills and experience • Getting on the launch pad • Risk of failure
  
- 2 Self-employment evaluation** **18**
  - Questionnaire • Extroversion • Approach • Flexibility
  - Creativity • Planning • Initiative • Independence
  - Purpose • Emphasis • Determination
  
- 3 Information and assistance** **34**
  - Business Entry Point • Government agencies • Business Enterprise Centres • Professional advisers • Trade associations • Suppliers • Education and training
  - Publications • Networking

## Part B: *IDEAS*

- |          |  |           |
|----------|--|-----------|
| <b>4</b> | <b>Finding a business opportunity</b>  | <b>51</b> |
|          | The initial idea • <i>IDEAS</i> evaluation method • Opportunity<br>• Risk • Complexity • Feasibility                             |           |
| <b>5</b> | <b><i>IDEAS</i> evaluation</b>   | <b>62</b> |
|          | Potential demand • Market acceptance • Competitive<br>position • External risks • Establishment risks • Expertise<br>• Resources |           |
| <b>6</b> | <b>Commercial and financial feasibility</b>  | <b>85</b> |
|          | Opportunity • Risk • Complexity • Commercial feasibility<br>• Financial feasibility  |           |

## Part C: Getting into business

- |           |  |            |
|-----------|--|------------|
| <b>7</b>  | <b>Developing a business strategy</b>  | <b>99</b>  |
|           | Understanding your customers • Market information<br>• Target marketing • Positioning • Creating competitive<br>strength • Small business life cycle • Shifting the strategic<br>gears |            |
| <b>8</b>  | <b>Maintaining cash flow</b>   | <b>111</b> |
|           | Profits are not cash • Operating cycle • Cash flow<br>budgeting • Trade debtors • Trading stock • Overcoming<br>cash flow problems   |            |
| <b>9</b>  | <b>Meeting legal obligations</b>   | <b>126</b> |
|           | Legal Issues Guide • Legal structure • Registering a name<br>• Licences and permits • Insurance • Employment law<br>• Intellectual property  |            |
| <b>10</b> | <b>Finding premises</b>  | <b>149</b> |
|           | Retail premises • Manufacturing premises • Negotiating a<br>lease • Serviced offices and business incubators • Working<br>from home  |            |

- 11    Buying a franchise** **167**  
What is a franchise? • Advantages of a franchise  
• Disadvantages of a franchise • Evaluating a franchisor  
• Evaluating a franchise agreement
- 12    Putting it together** **184**  
Establishing a new business • Buying an existing business  
• The importance of planning • Leveraging your capacity  
• Employing staff
- Part D: Marketing management**
- 13    Marketing strategy** **211**  
Product/service strategy • Place strategy • Promotion  
strategy • Price strategy • Managing the marketing mix  
• Internet marketing
- 14    Advertising and promotion** **234**  
Advertising media • Writing a newspaper advertisement  
• Budgeting for advertising • Publicity and sponsorship  
• Personal selling • Promoting your Internet site
- 15    Export marketing** **256**  
Evaluating your export potential • Identifying export  
opportunities • Developing an export strategy • A typical  
export transaction • Exporting information and assistance

## **Part E: Financial management**

- 16    Using financial information** **275**  
Accounting systems • Balance sheet • Income statement  
• Financial ratios • Business performance analysis

<b>17</b>	<b>Profit planning</b>	<b>295</b>
	Fixed and variable costs • Contributing margin • Breakeven point • Profit–volume chart • Profit analysis • Establishing a profit plan	
<b>18</b>	<b>Financing and taxation</b>	<b>308</b>
	Borrowing money • Leasing • Equity capital • Bootstrap financing • The tax system • Goods and Services Tax • Income tax • Other taxes • Facing a tax audit	
	Index	<b>333</b>

# Preface

Wouldn't it be great to get off the workaday treadmill and leave wage slavery behind? Wouldn't it be fantastic to be your own boss and run your own business? No more long, boring and costly commutes. No more workplace hassles and office politics. Isn't it about time to start enjoying the profits that you have been earning for someone else, and take a day off now and then simply because you want to? Are you dreaming? Or is it possible to turn your dream into reality if you put your mind to it, plan your own business and work your plan?

*How to Organise and Operate a Small Business in Australia* is about starting your own business and running it successfully. It is not just a book about being self-employed and getting paid for what you do. It symbolises a set of values about how some people want to live and how they can be sustained by the work they want to do.

*How to Organise and Operate a Small Business in Australia* was first published 25 years ago in response to suggestions for a book dedicated to people who go into business for themselves. This new tenth edition is the complete handbook of Australian small business management. Every chapter has been thoroughly revised to present information, skills and approaches that are up to date, easy to understand and simple to use.

A major addition to this new edition is the introduction of *IDEAS*. This is a method designed to identify business opportunities with genuine commercial

merit. It can be used very early in the development of your small business to focus your attention and energy on ideas with real commercial potential.

The book is divided into five parts:

- Part A is concerned with your preparation for self-employment. It focuses on the initial decision to become self-employed and identifying sources of information and assistance that will help you to get started.
- Part B introduces *IDEAS*. It concentrates on how to find business opportunities and how to assess their commercial potential.
- Part C guides you through the start-up phase of getting into business. It looks at developing a business strategy, maintaining cash flow, meeting legal obligations, finding premises, buying a franchise and putting it all together.
- Part D examines small business marketing. It explores strategies for managing the marketing mix, advertising and promotion, and export marketing.
- Part E presents elements of small business financial management. It includes how to use financial information, profit planning, financing your business and taxation.

Over the past 25 years, many people have contributed to the various editions of this book. Some have contributed directly by suggesting improvements to the content. Others have contributed indirectly by allowing me to be a spectator as they have gone about their business. I thank them for sharing their secrets with me and for allowing me to share their secrets with you in this new tenth edition of *How to Organise and Operate a Small Business in Australia*.

*John English*  
2006