

## is an ipo the way to go for small to medium enterprises?

Faced with tighter borrowing requirements, more small to medium enterprises are considering all the options. One of these is 'going public' with an initial public offering (IPO). Many business owners see the IPO as the ultimate achievement. While they have several benefits, their shortcomings need to be considered. Knowing the facts about IPOs can help you determine whether going public is the right move.

Before looking at the advantages and disadvantages of IPOs, you need to ask whether your company is ready. First, you have to be growing quickly enough to justify an IPO. Accelerating growth over several years is a prerequisite to be a contender in the market. You also will have a justifiable need for substantial funding and should consider the timing in the market by looking at how similar public companies are doing. On average, it takes one year to prepare the IPO, so you need to think about the performance of your industry when your offer is ready.

### Advantages

On the advantages side, an IPO is a way to raise large amounts of equity capital without incurring interest and needing to repay debt. It can help a company grow and develop, provide an objective share evaluation, build the company's image and legitimacy - hence decreasing the cost of borrowing - and provide funds for future acquisitions. Business owners who list their company gain access to personal wealth, because publicly held shares usually trade higher than shares in private companies. These advantages might seem irresistible but they need to be balanced against the disadvantages.

### Disadvantages

The big one is loss of control. Going from an entrepreneurial focus and being in control, to being accountable to outsiders who want to see investment gains, can be challenging. You also lose control to the board of directors who may not like the way the company is being run. The share market will constantly evaluate how your company is run and reflect this in the share price.

### GET THE EDGE

A bit of customer database pruning doesn't go astray. Get rid of the dead wood and work on satisfying the needs of your top 20% of customers (they're probably the source of 80% of your business). We tend to assume our top customers will always be loyal, and we forget to reward them for having got us where we are.



Another factor is the time, effort and money to create the IPO. Estimates for putting together the pieces range from six months to over a year. These steps include creating a business plan, a corporate profile, financial reports and an organisation chart, and finding an underwriter to help you through the process.

Underwriters are usually compensated with a percentage of the funds raised from the IPO, plus options for buying a predetermined number of shares in the future. In addition, there are substantial out-of-pocket expenses for external consultants such as auditors, legal assistants and investment bankers. After the IPO has been completed, the company will have additional responsibilities. Regulatory bodies have stringent requirements for reporting. Ongoing additional costs include more financial staff and larger accounting fees for audits. Time and money needs to be spent on investor relations and to create material for legal representatives, bankers, underwriters and brokers.

A direct IPO is one alternative to a conventional IPO. In the United States, for example, businesses can sell shares online by filing a Small Corporate Offering Registration (SCOR). While there is minimal external review and oversight required under this process, backing up your case with audited financial statements will make it easier to sell your offering on the open market. A major disadvantage of the direct IPO is the time and effort required to sell the shares, and the risk that you might not be able to sell them.

Many small to medium companies have stepped up to the next level with an IPO. An initial public offering can enable you to raise substantial amounts of equity capital without incurring interest and needing to repay debt. In addition, it creates an objective market valuation of your company, builds your image and legitimacy, and provides funds for future acquisitions. Against these benefits, you need to consider the loss of control, as well as the cost and time involved, in going public.

## cyber security – protecting yourself from the latest risks

**A**lthough rapidly changing information technology delivers countless benefits, it also brings new security risks that can harm businesses that are not prepared. We mostly hear about security breaches and attacks against large corporations and government departments, but small to medium businesses are just as vulnerable and face similar IT security risks. There are a number of preventive steps organisations can take to increase their cyber security in a rapidly changing world. The key is to know the threats and be prepared to deal with them.

Changing business processes and IT demands are raising security issues. While threats are becoming more targeted against individuals, employees are being allowed to use home PCs, smart phones and consumer-grade applications for business purposes. They are also using social networks, such as LinkedIn and Twitter, while on the job. The trend towards working on unmanaged PCs, smart phones and social networks is complicating the security challenges.

### “Spear-phishing”

One implication of these developments has been the growth of “spear-phishing” attacks – where the attacker targets an organisation by researching and finding email addresses of key personnel who are likely to work with sensitive documents and have higher levels of permission on the file server. Cyber criminals can use information found online – such as Facebook and LinkedIn profiles – to create customised emails that seem real to the user who is tricked into downloading malicious software from infected web pages or attachments.

### Spoof emails

Another technique attackers use, is to send spoof emails from social networking sites announcing the latest pictures or updates from contacts. Clicking on the link in the fake email can result in a security breach. The low tech solution is to be more diligent and suspicious of emails, even if they seem real. If you receive an email about the latest updates from a social networking site, you can enter through the login page instead of clicking the link. Some experts advise to never click on links in emails, even if you believe they are from trusted sources.



Raising employee awareness of the risks can only go so far. Small to medium businesses need to work behind the scenes to increase IT security.

#### Update regularly

The first step is to ensure that your system is kept up to date. Make sure that Microsoft Update is activated so that you can receive Microsoft Office updates as they are released. Adobe Flash and P other applications that should be updated regularly. If unsure whether you are up to date, there are products available that scan all software and report missing security updates. Outdated servers that can no longer be updated, or that work only when security is disabled, are risky and should be isolated on a separate network.

#### Security assessments

It's also important to have regular security assessments to determine the risks, and how they are being addressed. The architecture of internet connected networks and internal networks needs to be reviewed, along with how access to these is controlled. The rapid change in technology means that these assessments need to be undertaken quarterly for at-risk systems that are connected to the internet.

Function-specific custom web applications used for critical business-to-business and business-to-consumer solutions need to be tested regularly to ensure that data integrity is maintained. Of particular concern are peer-to-peer (P2P) networks. There have been many recent cases where sensitive and confidential data has been publicly available on commercial P2P networks.

Other areas that need to be considered in a security assessment are wireless technologies and remote access to the network by employees, sub-contractors and suppliers. These need to be reviewed to ensure that the right people have access only to data they are authorised to use.

The rapidly changing world of information technology makes it necessary to take preventive steps to keep data secure. As hackers and scammers adapt to changes quickly, IT departments need to keep up by having the latest patches and assessing security regularly.

#### WEB PICK OF THE MONTH

The hot, hot new trend in online marketing is video. Do a search on "video marketing tips" and get lots of great free information, and free online tools you can download and use.

## get the best return on investment from your assets

Every business, large or small, has assets that help them perform their work, or deliver the services they provide, to their clients. These physical assets represent a significant monetary investment for even the smaller business. Curbing operating costs and maximising asset productivity - asset management - is vital to achieve a greater return on your investment in assets.

#### Tracking assets

Having an accessible record of the details of individual assets is a necessary basis for managing them. There are a number of asset tracking software solutions available that are specifically designed for the SME. Operating off a database of assets and utilising such technologies as barcodes, radio frequency ID devices (RFI D), wireless smart tags and GPS, they can track anything from a fleet vehicle to a computer to a hammer. The database stores all the lifecycle details of any item such as its purchasing, leasing and invoicing details, physical location and, where relevant, which employee is in possession of it.

In trade occupations it's not unusual for tradesmen to lose or damage tools and machinery on the job. Often they simply draw a replacement piece from the storeroom. Though each loss or repair may be small, the cumulative effect can be great. Asset tracking software adds an element of accountability, and encourages a greater degree of responsibility, in the use of company materials. Assets can be instantly located, eliminating wasted time spent searching for them, and unnecessary expenditures to replace supposedly lost items.

Businesses that employ an asset in different departments within one unit can use asset tracking to improve utilisation rates and possibly avoid the need for duplication.

#### Improving asset performance

In managing equipment over its lifetime SMEs typically adopt a run-to-failure "strategy", predicated on the facts that they probably know little about how the equipment functions, and they don't see the value in investing time and effort into a regular maintenance regime. This approach is counterproductive - unplanned and

reactive maintenance places a significant cost burden on businesses, one that is rarely fully understood or recognised by management.

Frequently an individual production unit may be the only one available. With no redundancy capability, asset downtime and failure are very quickly reflected in bottom line results. Planning and management of asset maintenance increases the life cycle of the assets and keeps them performing at peak productivity levels.

Servicing manuals, pictures, quick-fix tips, warranty contract, maintenance history and vendor and repairer contact details can all be attached to an asset's record in the asset database. Providing one central location for the information can get a down machine up and running again, with minimum loss of time. This can be critical in avoiding costly fines now that broken equipment can have occupational safety and health, and environmental protection consequences, on top of reduced productivity.

Though rarely recognised by SME managers, an ongoing maintenance programme for assets is a strategic issue that translates to a significant contribution to the business' profit margin. Likewise, employees fail to recognise the importance of asset management and don't log problems with their machinery until it fails completely. Asset management software simplifies the process of developing a proactive system of asset management that incorporates real time logging of problems by operators, regular maintenance and early replacement of failing components.

Improved management visibility into the location, use and performance of assets has enabled progressive SMEs to shift from a short term, situation-reflexive model of asset management, to a more strategic long term programme that ensures they derive the maximum return on their investment in assets. A streamlined asset management system will reduce asset loss, operating costs and downtime so as to minimise asset total cost of ownership.

## KEY SKILLS FOR ENTREPRENEURS

What is it that makes the successful entrepreneur? What is it that drives sales and builds a business? If you think you know the answer, consider Bill Gates, arguably the world's most famous and successful entrepreneur. If you had been in his high school class, would you have thought, "Well, obviously, this man bears the stamp of future greatness"? Probably not.

Entrepreneurs do seem to have some common traits, though, including:

- physical and mental stamina
- a drive to take control of their own destiny
- a competitive instinct
- resilience in the face of defeat
- good judgment
- decisiveness
- the ability to inspire others
- an unfailing positive attitude
- great communication skills

This could be quite a daunting list, if you take the perspective that entrepreneurs are born, not made. Fortunately, it's clear that nobody is born with good judgment, and good communication skills need to be nurtured, even if you are gifted in that area. So some of the key entrepreneurial traits can be acquired or enhanced. They often need to be, as not all entrepreneurs are natural marketers when they start out. Some work hard to expand their skills. Others work in partnerships, where the partners pool their skills and parcel out the work accordingly.

In many ways, entrepreneurs are as diverse as they are similar. Race, gender or age seems to be no bar to a successful entrepreneurial career. But there's one entrepreneurial trait that is not so often mentioned, but which may actually be one of the most crucial: anxiety. Not a pathological anxiety, of course, but merely the level of anxiety that won't let you be satisfied until you have a deep

understanding of all parts of your business and your business environment.

Successful entrepreneurs are constantly asking themselves questions. Is this product what the customers want? Is there a way to improve it? What are competitors doing in this area? Are they posing any new risks?

They want to keep an eye on all aspects of the business. Are there problems with operations or marketing? What are the profit projections for the next three months? Is everything adequately financed?

Basically, successful entrepreneurs have trouble sleeping unless they have a good sense of what is happening in all areas of their business. And they need to be confident that all areas of their business are working well together.

They need to understand every aspect of their business so that they build a "feel" for it. This means developing a business "vision" that is based on a lot of hard facts. They're in touch, so they can spot problems on the horizon. Or if there is a need for a snap decision, they can trust their intuition, because their intuition is built on solid foundations.

If you're one of these "driven" entrepreneurs, and you feel the need to understand your business at all levels, that's great. And if the task seems a big one, seek help. The great entrepreneur can rely on great help. Using the Targeting Business Results Plus software programme, you can set up benchmarks and Key Performance Indicators for your business, monitoring them on a regular basis to make sure you're moving in the right direction. Another great place to start would be a Business Diagnostic and Performance Review, where you'll get a holistic analysis of your strategic and operational position and an Action Plan to get you back in control of your business...so that you can sleep easier at night.

## ABOUT MULCAHY & CO

At Mulcahy & Co our aim is to help you achieve both business and personal goals. Our diverse range of services provides a 'one stop shop', enabling businesses and individuals to access a total financial and business solutions package.

We understand that in helping you achieve financial growth and success, personal goals can be as important as the bottom line. We aim to help you make the most of these opportunities, whilst minimising the risks along the way.

We tailor our range of services to meet your specific needs- no matter how large or small. We realise that 95% of our growth has been through recommendations from our existing clients. Such recommendations are testimony to our ability to not only meet, but exceed our clients expectations.

Whether it's an issue concerning taxation planning, business and succession planning, superannuation advice, assistance with obtaining finance or bookkeeping matters, we have the people, the experience and the systems to help you.

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