

25 tips from real entrepreneurs

Entrepreneur Masterclass

INTRODUCTION

One of the best things about writing for SmartCompany is the opportunity to meet successful entrepreneurs from a range of different backgrounds. It takes a special type of person to start and build a business and the entrepreneurs that we interview each week are courageous, adventurous, adaptable and very smart.

Their stories are both inspiring and instructive. In this eBook we have tried to find some of the best pieces of advice on five key areas of business: starting up, growth, money, managing people and marketing.

You'll find tips on getting the right people, advice on making acquisitions to grow your business, hints on getting investors on board and advice on how to brand your business.

You'll read about the mistakes that almost brought companies undone and find out about the lessons that have been learned through sometimes painful experiences.

The entrepreneurs dispensing the wisdom include some of Australia's smartest business minds, such as Jim Penman from the iconic Jim's Group, Diana Williams from Fernwood Women's Health Clubs, Robbie Cooke from online powerhouse Wotif.com and Naomi Simson from RedBalloon.

What shines through most from these entrepreneurs is their passion for their businesses. No matter how good your idea is, no matter how smart your branding looks, an entrepreneur that lacks the passion to keep pushing themselves and their business through the difficult times will never reach their full potential.

Being an entrepreneur is a tough job, but as these entrepreneurs have shown, it can also be incredibly rewarding. We hope their advice might help you to take your business to the next level.

James Thomson
Editor, SmartCompany



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TIPS ON: Growth

UNDERSTAND YOUR AUDIENCE

We hovered around the nine or 10 mark for a few years as the dot-com crashed in 2001.

We had set up a youth and young adult lifestyle portal at lifelounge.com and when the advertisers lost confidence in the internet as a medium and we found ourselves with minimal revenue coming through and minimal ability to syndicate our content, we found ourselves at a bit of a T-intersection.

One way was going to shut the business down and the other way was to be quite entrepreneurial and innovative. And that is the angle that we decided to take. We had an audience that we knew was very valuable so we started to survey that audience, and with those surveys we were able to understand what the attitudes, the behaviours, the perception of the young adults and lifestyle markets were.

At first we used that data for our own benefit, to help shape our product in a way that is was going to continue to access an audience. And from there we were able to productise that research into trends, influences, behaviours of the young adult market that corporate Australia and government agencies have been subscribing to.

- [Dion Appel, Lifelounge Group](#)

YOUR TURNING POINT

When we left home, that was a big moment. We were nine people in a front room before we left home - like literally the front room. And that was sort of a particular hump, and then the next office we had wasn't an office it was a terrace house. And we ended up with 23 people, they were all on top of each other.

But it was almost as we got to these offices and now that we started recruiting more people that became a turning point. It really stopped from being "mum will help us out" to being "oh my goodness this is a serious business and we're up to serious things and we're doing significant things here".

- [Naomi Simson, RedBalloon](#)

HAVE A CLEAR FOCUS

If you think of a normal retail store, you're limited by your space, and because of that you need to focus on the best-selling items in your store. Online retailers are not limited by space. If you look at some retail department stores, they just add products with warehouse space and the temptation to grow thin is there.

But that doesn't make you a better business - you lose the concept of who you are and it hurts your brand. The more focussed you can be, the better you are at what you do.

- Hal Pritchard, Everten

TAKE IT TO THE NEXT LEVEL

The big question I worry about is: Can I involve the right people to make sure we continue to grow? I've got the vision, but can I personally employ and engage the right people to take us to the next level?

The most important thing I've learned over the past 18 months is having the right people doing the right things. I've engaged an operations manager and he does a fantastic job of maintaining quality.

We need to ensure we've got the managers in our business that will drive us forward. I've driven from nothing to 27 people, but we need the right experienced managers to take us to the next level. I'm responsible for the business, but I need to involve people that can take on specialist roles.

- Tristan White, The Physio Co.

TIPS ON: Managing People

MANAGE PEOPLE INDIVIDUALLY

We maintain a casual atmosphere that will allow designers to work at their best, but it can be a bit relaxed for the juniors, and we do have problems with them not taking it seriously enough.

Sometimes I wish it was more corporate with guys in suits saying what is going to be done exactly, but risks are taken when you are in a low risk environment. If we hold everyone to what they say, if we define these really strong boundaries, we lose something in the creativity.

Particularly when the junior employees first come in, they don't know how much is riding on their performance and we don't want to put it on them too early, because there's enough they have to deal with. Our management works when the people distanced from the problems don't know they are there.

- Robert Murray, Firemint

ATTRACTING THE BEST PEOPLE

I've employed a lot of people before and tried to make it a fun environment without the structure and reporting of a business environment. I've been focussing very closely on the core business in this area in the last couple of months. I just felt we needed a proper structure to work with.

We have had a few unhappy clients in the past and had to figure out how to make customer service part of the company's architecture. I also thought we could do HR a lot better. I've got a loyal hard working group of staff, but if in the future I want to get the business to where I can attract incredible people at affordable rates, I've got to get this area really, really sharp.

- Katie Patrick, Green Pages

SURROUND YOURSELF WITH THE RIGHT PEOPLE

We started with a lot of family and friends. But if we had a lot of money up front and we were in a better situation to start with, it would have made more sense to bring in strong professionals.

Get independent advice and surround yourself with the right people, because if someone you hire has experience in that business, you can save a lot of money.

Working with family and friends is good, but the best thing is to surround yourself with the right people earlier on to avoid making mistakes.

- Luke Baylis, Sumo Salad

THREE CHEERS FOR MORALE

There was pretty much no morale when I joined. The company had been through a lot and the employees looked a little tired and lifeless. But the other thing that hadn't been done was they hadn't been communicated with. They didn't understand the vision; they didn't know where the business was heading. And I operate from the premise that the team must know where we are going otherwise it's very hard to trek the same path.

So unless everybody understands a very, very clear vision and communications are regular and honest, then it's pretty easy to turn that around and ensure that you can get the employees back on track. The employees are the most important part of any business and ensuring that they are fully bought into the future is absolutely vital.

- David Burden, Ansearch

PREPARE YOUR TEAM

Most of the team hasn't been through tough times, and we wanted to prepare them for that. Part of this preparation was the investment of over \$1 million in corporate engagement, training and development.

Separate programs for general staff and optometrists were created to give these people a say in the way the business was run.

In the case of the optometrists opportunities were created to allow them to join the executive team, own their own business through franchising, and give back to the community through charity initiatives and mentoring. Last year, the corporate engagement survey had a response rate of 76%.

We are looking after staff better than we ever have. The economy will come back, and we want to be sure we keep our talent.

- Chris Beer, Luxottica



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TIPS ON: Starting up

YOUR BLANK CANVAS

It's like this blank canvas and you've got to look back to your first question; why has no one else done it properly before? And that's understanding some of the great things that companies have done, and some of the challenges that they've faced as well.

We also did five acquisitions last year. And the biggest thing is culturally bringing these businesses together and consolidating the systems and the processes. We've just been really fortunate that we've got as part of it some brilliant people that are really brought into the vision. We've completely re-branded all the business now and consolidated it into one office in each state. So we've really done a lot of the hard work.

I think the key with any good business is attracting great people up-front. I recruited who's now a shareholder as well my COO, who was ex-Exxon Mobil CEO of one of their businesses, and my CFO had run a listed business in South Africa. They've been there, they've done that, and provide me with a great deal of support, being the visionary trying to pull this all together.

- Ryan Trainor, Franklyn Scholar

LEARN FROM YOUR MISTAKES

We naively approached everyone in the medical field in Townsville and told them what we were doing. We thought people wouldn't see us as competitors, but a group of health care professionals thought we were.

We did horribly. We did so badly that after about nine months, my partner needed to head back to Brisbane and I bought the business for a dollar - which was a good deal for him at the time.

We eventually moved to Carins everything completely opposite to what we did in Townsville.

- Kevin Conlon, Kinnect

PLAN, PLAN, PLAN

We sold everything we owned, left our jobs, landed on the central coast with only \$80,000 and five children under 10, moved into a rental property and had a dream for a business that would provide us with the lifestyle we were looking for.

But after a poor few months, we were down to \$20,000. We approached a local radio station to develop an advertising campaign, which they said would cost \$18,000. The station warned that the campaign would take a week to make an impact, so we made plans to hit the Gold Coast for a break.

But on the way the phone just didn't stop, and by the time we reached the Gold Coast we had enough clients to book us solid for the next three months. We were totally underprepared, and it required us to sit down and organise a plan for the business to stop it from speeding out of control.

Most businesses owners don't understand the way the finances of their company work, and they need to put in planning and make the business go where they decide it to go, not where it's going on its own volition.

Deciding that was a big turning point for us and that's when we started to become more successful.

- Margaret Lomas, [Destiny Financial Solutions](#)

STEADY FINANCE

Initially, I took a part-time job as a patent attorney and worked part time to keep the business going. We then got a little bit of investment from a patent attorney firm and a small venture capital organisation. Just a few hundred thousand dollars, and then further down the track we were able to raise a couple of million dollars from different patent attorneys from around the world. So we've raised about \$3 million to date in tranches as the years have gone by.

- Justin Simpson, [Inovia](#)

TIPS ON: Money

CASH IS KING

Cash is king, so continuing to stockpile and find ways to cut costs so that they are cashflow positive and making good money - because there are amazing deals out there. There are a lot of 65-year-olds that were hoping to sell their business. Their business has just gotten pummeled and you can go out and pick up those businesses at a fire sale. Those 65-year-olds want to retire; they have no one to pass it off to.

There are great opportunities for acquisitions right now. The businesses that are well run and managing cash can actually go out and take out their competitors. Because competitors all basically think that a recession is going to cripple them. They already think they're going out of business, why not make it happen for them? And I think that's what I'm seeing now is the very aggressive, very keen, very sharp entrepreneurs; it's a feeding frenzy for them. They're loving it.

- Cameron Herold, BackPocket COO

DON'T TRY TO BE EVERYTHING TO ALL PEOPLE

Importing and exporting has its challenges and currency fluctuations are one of those. But our model is based on not trying to stock everything that's ever been made, which is how our competitors' businesses are placed.

If you're not managing too many different lines, you're on a level playing field with everyone else in Australia. If the dollar weakens it makes it harder to import products, but our competitors are going through that as well, so having focus allows us to mitigate that risk."

There may be in the short-term a loss of profit or revenue for not stocking a competing product, but it's about building the brand and in the long-term that will become profitable for us.

- Chris Ryan, Strike Group

PARTNER UP

I would probably go into the business with other partners to share that financial burden initially. I think it was a mistake believing I could do it on my own. I did it, but you know at a price.

I think that would be the biggest lesson. If you are going to invest millions of dollars, try and share that burden with other people as opposed to trying to do it on my own.

- Katherine Sampson, Healthy Habits

MONITOR CASHFLOW INTENSELY

We have a very skilled CFO, who is monitoring cashflow and credit very intensely and our cash flow plans are well into 18 months from here. So we have cash flow strength not just for this current period of time but for the next 18 months to two years. Our business is very much a cash flow business.

We don't have stock, we just get royalties in and our clubs are very much cash flow positive as well as that, they have membership money coming in.

- [Diana Williams, Fernwood Women's Health Clubs](#)

CONSIDER FLOATING

The faster I grew, the more capital I needed. I raised money through unsecured notes, and approached venture capital and private equity players for funding, but these were expensive options.

In the end there was one choice left - float the business on the Australian Securities Exchange.

In the early stages of going through the listing process I was quite fearful. It's quite an arduous process, but I don't have an ounce of regret.

People think about corporate governance as being a pain in the arse, and yes it is, but there are some really good structures that enhance the business.

- [Allan English, SilverChef](#)

TIPS ON: Marketing

A LITTLE GOES A LONG WAY

I underestimated how much reach a new business would have with just a minimal amount of advertising, even though I put every cent of profit I made into the company

I thought the Yellow Pages would generate business for the whole year. I also tried doing a letterbox drop, which was a dismal failure.

I also think I learned from that - material that's being given to a customer has to be first class. We don't hold back on that now, and that's especially important during times like these.

- David Hancock, [Geeks2U](#)

THE IMPORTANCE OF BRAND AWARENESS

We have a brand awareness issue. We have a good solution to provide, but being recognised as a credible software vendor based in Australia is challenging.

There have been scenarios where we put in contractual obligations to give the customer comfort. An example is putting source code into a safe area, so if our business were to go under, it gives them comfort that then the product would still survive.

- David Hodges, [Smartpath](#)

THE POWER OF WORD-OF-MOUTH

The main thing I've learnt over the years is that if you can solve a problem for someone or meet a need that they might have, whether that be to learn how to do something or a need for entertainment or a need to feel a part of a community, if you can fulfill those needs and solve problems for people, they'll tell their friends about you and share you.

Particularly with Twitter and Facebook, where people are sharing links all the time and can spread the word throughout the world very quickly. It's a very powerful thing to solve someone's problems.

- [Darren Rowse, ProBlogger](#)

SEARCH ENGINE OPTIMISATION

We spend a lot of money with Google. And we have a very effective online marketing team who are experts in dealing with search engine marketing and also search engine optimisation. So they're two very big planks of our business.

Google is a very effective tool for us. It's a very measurable approach, for every dollar we spend with Google we know exactly what return we're getting back as a business. So it's a very targeted and focused means of marketing.

We actually though, as a business, experimented with a bit of traditional marketing. A year and a half ago we did a bit of television marketing. We have in the last two months actually done some radio marketing. We tend to experiment with traditional media and traditional marketing to see if we can get outcomes that are as good as the sort of outcomes we can get through Google spend and online marketing.

- [Robbie Cooke, Wotif.com](#)

SERVICE, SERVICE, SERVICE

The biggest thing we do is focus on service. We're so well-known here that most people in Australia, a great majority, would actually have used us or know somebody well who's used us, so what really counts is the level of service they get when they come through. We don't have a huge advertising bill. Our total Jim's advertising bill worldwide is about \$3 million. It's about 1% or 2% of turnover, it's very small compared with most companies.

What really makes a difference is that we've got this extraordinary presence with our trailers and vehicles. We recently had this big blitz to make sure that all of our trailers are in good condition. We got franchisees to send in photos and we're doing that regularly now.

- Jim Penman, Jim's Group

PROVIDE VALUE

We see that in a tough economy, people are coming from full-service restaurants and are really in search of value. When we look at what value equals and we know that we look at product, value and service.

We've put our products on a pedestal, so we are not going to change that. We weren't going to move on price, so we realised we need to dial up on service and present a restaurant offer rather than the takeaway offer.

- Simon Crowe, Grill'd

MAINTAIN BRAND INTEGRITY

I avoided big name retailers such as JB Hi-Fi in order to maintain the integrity of the brand. Instead of just building a business for volume, which is all about the dollars and cents, I took a specialist approach with individual and independent retailers.

We would have a much bigger business if we did go that route, but I'm more concerned with brand integrity and the reputation of the product.

- David Meyer, Kordz

Interview with:

Greg Pawson, General Manager, Commercial Banking

Greg, can we start by finding out a bit about your background and your role at Westpac. How long have you been in banking?

I started out of uni as a graduate in New Zealand with the Bank of New Zealand. I've been with Westpac just under a decade. I came into this role about two years ago.

It's been quite a difficult period for the economy and many SMEs. How has Westpac worked to help support customers?

In terms of how we reacted to the downturn, one of our intentions right from the beginning was that we'd get close to our customers, so part of the investment was about lowering the average number of customers that we look after in a banker's portfolio and we've achieved that. We were averaging about 80 customers per banker. We're now between 50 and 60 customers per banker.

What that means is that our bankers can be more proactive, they can actually go to the customer before the customer comes to us.

Cashflow is a huge issue for SMEs, and it's no doubt been very helpful when you have spotted early warning signs and been able to get in and help those small businesses. What are ways you've been able to provide support?

Over the last couple of years we have invested heavily in our transactional solutions area and employed and trained a lot of bankers in that space.

One area many businesses struggle with is planning, and that's partly because they're working so hard on their business. How have you been able to encourage sound business planning?

Well again, that's about getting on the front foot and getting out and talking to our customers. With most of the businesses that we look after, we would have one trigger per year to review their facilities, so there is some sort of periodical review when we'll actually go out with them and sit down and talk about all those sorts of things.



Can we talk a little bit about how Westpac is focussing on local bankers?

A big investment across Westpac at the moment is this notion of Westpac Local, effectively putting the bank manager back in branches. For the business that I look after, commercial banking, it's largely about empowering our people to make decisions locally - having local staff work with local customers and their businesses.

One objective is that our bankers become very key people in the local community, so that they're active in the local community and they're visible and that's probably 60-70% of their daily role.

Now as we're putting the downturn behind us, what do you think companies should be concentrating on now?

I think the biggest thing is to have a plan. Even in our segment, you'd think companies turning over \$20 million, \$30 million, \$40 million would be getting to a reasonable level of sophistication, but many of them aren't. Many of them have grown haphazardly and they've managed to latch onto a market niche for a specific product or service and they've done really well.

But I think some of those disciplines around planning really come through in a downturn, when you actually have to take a close look at your business and figure out if you are doing the things that you should be doing. It's really looking for ways to be more efficient, to create more opportunity, more revenue.