

# Talking Business

with PETER SWITZER



## August 2009

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## Edward De Bono

famously invented the term 'lateral thinking' in 1967 and ever since has been synonymous with creative thinking, and encouraged us to use our minds as constructively as possible through his big concept books. He joins us to discuss his latest release, *Think Before it's Too Late*.

[www.edwdebono.com](http://www.edwdebono.com)

**PS** Edward De Bono, the creative thinking guru behind the term *lateral thinking* believes there is much room for improvement when it comes to the way we think. A renowned author who's advice has been sort by noble laureates and world leaders, Edward has just released a new book called, *Think Before It's Too Late*.

Welcome to *Talking Business* Edward.

**EDB** Thank you. Well, you see, my point is the biggest problem facing humanity is not climate change and global warming, but inadequate thinking. What happened was that when Greek thinking came to Europe in the time of the Renaissance, schools, universities, and thinking in general were at the hand of the church. They did not need creative thinking or design, or perceptual thinking, what they did need was truth, logic and argument to prove heretics wrong, so we developed a very good thinking system for finding the truth. That has been of great use, excellent use in science, but we have never culturally developed thinking for creative value. Individuals have to be sure inventors, entrepreneurs, and so on, but as a culture we never in schools got taught thinking for creative value. For instance, analysis is taught in school, design is not mentioned at all, so our human thinking is not nearly as good, as wonderful, as we believe.

**PS** Edward, I've talked to you many times over the years and I've always found the best way to understand what you're alluding to is by an example. Can you give us an example of what you're talking about?

**EDB** In conflicts we're always rushed to judge the people involved in the conflict. You're wrong, we're going to wallop you, and so on. For example, the fairly recent Gaza Israel situation. Now a design solution, design their way forward, is all those countries which setup Israel should pay the Palestinians \$3 billion a year, but every time they fire a rocket at Israel they lose \$50 million. Now that way the terrorists are not heroes anymore, and so design the way forward. Or in Zimbabwe with Mugabe, I'd give them a title *Follow the Nation for Life*. Give him a nice palace, a car,

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a chauffeur and an income, and the right to veto maybe one or two bills in parliaments. He'd move out of politics tomorrow, but to disappear into oblivion having run the country for 28 years is not very attractive to him.

**PS** So you are arguing that economic solutions can be incorporated well with good thinking?

**EDB** I think design a way forward, and indeed I believe there should be courts of design, not courts of judgement, you're right, you're wrong. The litigants can come together and the court helps them to design a way forward.

**PS** But unfortunately artists have commandeered the term *design*. When you say design you mean something a lot broader don't you?

**EDB** You're absolutely right. There's two problems with the English language. One is creativity, when you mention *creativity* people think, oh that must mean art and you're claiming to produce another Beethoven, and so on. And secondly, *design*, you're quite right, people think aesthetic design, producing a nice teapot or a nice sofa or something, whereas design is putting together to deliver the values we want, very key.

**PS** Now let's take your thinking to the environmental debate, and at the moment we see most governments of the world have got onboard with believing this is where they think the community want them to go, down the more green path, a less smaller carbon footprint if you like. Then along have come people that say, oh it's bad science. You are a scientist, think it through for us?

**EDB** First of all, the whole green thing is a very convenient bandwagon for government and political parties because no one's against it, everyone's in favour, and you promise to do things and you say we're doing all we can. For example, in California, Arnold Schwarzenegger is going to put a high tax on gas guzzling cars. Now my idea is simpler. You put the tax on, but it's not a tax, it becomes a subsidy for smaller eco friendly cars, so as you're driving along and

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you see a small car beside you, you say, 'my goodness, I'm buying that guys car for him'. That is a much more powerful disincentive than just an invisible tax. In other words, even within the things that have been done, there are ways of doing it. Now, of course it could be said that Australia's a huge culprit in this climate change. Why? Because you sell coal to China which is the biggest polluter. Now, I'm not saying there's a way out of that, but that is true.

**PS** [laughter] Exactly right. I must ask you this, have you put your mind around whether you want to believe that the involvement of mankind and industry have actually contributed to climate change?

**EDB** Well I know there are different views on it.

**PS** We want your view. [laughter]

**EDB** My view is possibly 60%, yes.

**PS** Which I think is an important observation, but then you're also a realist. You know, we feel that the majority of the West want to go down a green path, and so I guess your argument would then be a book like yours, *Think Before It's Too Late*. Do you want to put those two things together for business people who might want to read this book?

**EDD** Well yes, it's in the book. I'm really talking about the 20 reasons why world thinking is not so good, and mainly it's to do with judgement rather than design, right, wrong, that sort of thing, because, again, in 'clearistical' thinking, an error is a sin, that's really bad. In real life an error is a mistake which will move forward, you might even get something from it, so the whole culture of Western thinking is reviewed with saint 'clearistical' view.

**PS** I interviewed a gentleman by the name of John Maxwell who's quite a famous writer in leadership. The most important innovation he ever introduced into his own life was sitting down for half an hour each day and thinking.

**Edward  
De Bono**

**EDB** That's a good idea, I'm in favour of that. There's a bank in England which does that. Every morning the senior staff spend half an hour just thinking. Secretaries don't put phone calls through, they just sit and think. Now about three weeks ago I invented a very important new word in the English language, *ebne*. Now *ebne* means; excellent, but not enough. Why do we need it? Because normally if we want to change something you're suppose to say that it's wrong, that it's bad, and you must change it. But some things are excellent but not enough. So the rear left wheel of a motorcar is *ebne*, a chef who can cook the most beautiful omelette is *ebne*, our traditional thinking is *ebne*, excellent but not enough, because otherwise you have to attack something, pretend it's wrong, well it's not wrong at all, it is not enough.

**PS** So, if you give advice to people who are trying to build great businesses, what do you think their fundamental thinking problems would be?

**EDB** Well, let's put it this way. I don't tell people how to run their business, I teach them some thinking which they can use. I'll give you an example, a very strong example. I was in Delhi and I was giving a talk in the evening, and at the end this man stood up and he said, 'as a student I was travelling through Europe and my plane was diverted to Paris. I had some time at the airport, I went to the bookstore and I bought your first book. I kept it in my briefcase for 30 years'. He said, 'at that time I had \$3 in my pocket and today I have \$3 billion, and that is 80% due to your book'. He was a chemical engineer.

**PS** If you look across what you've achieved in your lifetime, and I don't think you reflect upon that so much, what do you think is the greatest contribution you've made to entrepreneurs?

**EDB** Well there's two sides, and one is that creative thinking can be a form of deliberate process, not just sitting waiting for great ideas, and obviously people can use that and do, and I get lots of letters. Another one was from a fellow in

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Dublin and he was dyslexic in school, his teacher put him at the back of the class and said you're going to spend your life digging ditches. According to him he read one of my books and he's now a very successful businessman, came over to see me and tell me. Now, it could be, to be fair, that some people find in my books reassurance that their existing way of thinking is perfectly okay, so rather than finding something new, that it's okay. So it could be the notion that you need sometimes to break out of the routine path to explore other possibilities. Then, of course, teaching thinking in schools. There's thousands of schools worldwide now doing that, and we find that teaching thinking increasing employment among unemployed youngsters by 500%. It reduces violence among very violent youngsters by 90%.

**PS** Edward the great story I think you told me was the case of a South African business where they sat down to try develop brainstorming ideas and the amount of ideas they generated in one day.

**EDB** That was a group for a steel company. Twenty-one thousand ideas, took them nine months just to sort through them.

**PS** Okay, so if someone was sitting on the plane listening now and they thought, I'd like to get my key people together and initiate something like that, what are the starting points to do it?

**EDB** Well there are different techniques. The simplest one to use, if you're sitting on a plane, is to use a random word, and a random word works because imagine you're living in a small town and when you leave the house you always take the same route. One day on the outskirts of the town your car breaks down or you have an accident and you have to walk home, you find yourself arriving by a route you would never have taken when leaving home. Similarly, the random word starts with a preferred method, and as you go back to the centre you open up new tracks. So, if you're sitting on a plane listening to this, think of a problem you've got and use a random word, like *cheese*, and see what happens.

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**PS** Well I've got to say, I've got some time to consider that particular one. What about the point that too many people in business always presume they are right and are not prepared to open up to people around them who have other observations about what's going on?

**EDB** To be fair, you see people, and most executives in business, feel that their role is continuity and problem solving, keep things going as they are and solve problems as they arise. Unless the chief executive makes it clear that he wants new ideas, then people will not have them. There's a case in South America, Argentina, a fellow running a textile company read my books, I wasn't involved, and he taught my thinking to his workers. At that time he was half the size of his nearest competitor. Today, five years later, he is four times the size of his competitor by getting all this workers to think.

**PS** We're talking to Edward de Bono who needs no introduction. Edward, one final question. Some years ago you wrote a book with John Lion on marketing, and you made the observation that entrepreneurs and great marketing entrepreneurs are lateral thinkers. Can you explain what you're thinking there?

**EDB** I think they are people who felt that just following the routine isn't enough, and they've moved outside and developed new values and new ways of getting attention. You see, you could argue that in the recession that's a huge opportunity. It's rather like if there's a rain storm those with umbrellas are benefited. If no one has umbrellas, those who improvise an umbrella have an advantage over everyone else. So in a recession, those who can develop new values, new ways of doing things have an advantage.

**PS** There's one story I often share with an audience, and I tell them that I've talked to you on Qantas, that was with the two young boys in the forest who met a grizzly bear. Would you mind recounting that?

**EDB** Sorry, which one was that?

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De Bono**

**PS** It was two young boys in a forest without any shoes on and they encounter a grizzly bear.

**EDB** Oh yes I've actually forgotten that story, but I'll tell you another story which I do remember.

**PS** Fantastic.

**EDB** And this is in Australia with Johnny five year old. His friends offer him a choice between a \$1 coin and a \$2 coin. Johnny, being rather young, thinks the bigger one is better and takes it. His friends laugh and giggle and say, 'isn't Johnny stupid?'. They keep on teasing him and so on. One day an adult sees this, calls Johnny over and says, 'Johnny, believe me when I tell you that the smaller coin is actually worth twice as much as a bigger coin'. Johnny listens very politely and says, 'yes I know that, but how many times would they have offered it to me if I'd taken the \$2 coin the first time?'

**PS** [laughter] Very good point.

**EDB** And that's perception. His perception included his friends, not just the coins, and perception is a key part of thinking. In fact, a friend of mine at Harvard, David Perkins, said research showed that 90% of errors are errors of perception, not errors of logic at all, and it's even worse. There's a mathematical theorem which says that from within any systems you can never logically prove the starting points, they're just arbitrary perceptions.

**PS** Edward de Bono thanks for joining us on *Talking Business*.

**EDB** Thank you.



## Arun Abey

is the former co-founder of the international financial planning firm ipac which sold for \$250 million to AXA Asia Pacific in 2002. He has recently released a book called *How Much is Enough?: Money, Time and Happiness*, and is here to discuss children and how to teach them the value of money by budgeting and controlling non-essential items.

[www.howmuchisenough.net](http://www.howmuchisenough.net)

**PS** There's an old saying we often forget that goes, *Money Does Buy Happiness*. Arun Abey co-author of *How Much is Enough*, believes the economic downturn serves as a reminder of this, and also that it's important Australian kids learn the value of money. Arun co-founded ipac 25 years ago and is Executive Chairman.

Welcome to *Talking Business* Arun.

**AA** Thanks Peter.

**PS** So what's your background mate? How did you end up in ipac?

**AA** Well, I started a career in economic research, Peter, almost 30 years ago at the ANU, and I was involved in some of the early research on topics like globalisation, deregulation, and so on, but I also had an interest in investment markets. What I observed there was a big gap in the leading edge academic research we were doing and what was actually applied and given to people in terms of advice. So ipac was founded with the idea to actually translate the latest academic research into what it actually means for peoples' lives. How can we actually apply it to their lives to improve their relationship with money? But for us, money is really only important in the context of happiness and meaning, and wellbeing, rather than as a thing to be pursued in its own right.

**PS** Okay, so before talking about the book, I guess it's a really relevant time to talk to you in terms of what's going on in financial planning now as well. We're seeing the instance of Storm's failure, we're seeing the Financial Planning Association go against the idea of commissions, something that they're more against now than, say, five or 10 years ago. You've seen the financial industry change over time, are you happy with what's going on in financial planning now?

**AA** Well you know, compared to where it was when it started, it's improved, but the basic concept of fee based advice, which is something we pioneered, is still not all that common, and I think too many financial planners and,

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to some extent, the public has to take some responsibility for this as well, I really do. I plan for the money rather than for the person. In other words, Peter, if you come in as a client there might be a basic inventory about who you are and so on, but basically people want to find out how much money you have, and then a plan is done for that money. And, as I said, people really fall for the money without an understanding of what it means for you, what role it has in your life, it's really hard to do a meaningful plan. So I think the pursuit of money and the pursuit of investment options, in isolation, leads to the sort of excess which we've seen often in the 26 years I've been in business.

**PS** And I guess what a lot of the public are worried about is financial planners selecting products based on how much money they can get in terms of commissions, and things like that. By moving to fees for services it becomes less so, but there's another extreme area where there's been a call for lately. There's been financial planners actually charge an hourly rate, like an accountant in a sense, that you come in, you're going to take 20 hours, therefore you're going to be a \$5,000 customer. Another person's a short customer, therefore \$3,000. Do you think financial planning is going to head that way down the track?

**AA** I think increase the fee for service, be it hourly fees or asset based fees, are going to be the way it's going. Having said that, for the smaller end of the market, Peter, for people with not a huge amount of money, typically for them commissions might be a better option. It's not really a market which we unfortunately service, but the reality is hourly fees for people with small amounts of money might be prohibitive.

**PS** So the irony is that even though it is probably the fairer way of doing it, because the Financial Services Reform Act means that you must do 10 or 12 hours worth of work, most lower income people couldn't afford to pay it?

**AA** Exactly right. That's something which government needs to take into account in setting policies. There's a

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wide segment of the market out there, as soon as someone comes along with a few thousand dollars getting started with their superannuation and insurance, they really can't afford to pay a large amount in hourly fees.

**PS** And you understand what goes into doing a financial plan. Do you think that the current legislation is excessive and therefore cuts out that retiree that wants to invest their \$200,000 in a fixed deposit, and they can't get advice because it's too expensive?

**AA** Exactly. I think the current legislation, one size fits all, it doesn't reflect the fact that there's many different customer segments, that there are many different needs. And, frankly, many of those needs require the 10 to 12 hours of work that you talked about, which nevertheless the current legislation more or less forces us to actually do.

**PS** Because I feel as though retirees ended up in companies like Australian Capital Reserve and Westpoint because they couldn't go and pay for an hours worth of advice. Most of us would have said, don't go near them.

**AA** Exactly, simply to get a second opinion. You're quite right, with a number of those shonky sort of companies, the better planners would have actually said in an hour or so it's just not a goer.

**PS** Okay. We're talking to Arun Abey from ipac. Let's talk about what you would like to get into the minds of children, young people, when it comes to money?

**AA** Well Peter, the opportunity we have in the 21st century, both for adults and also for children, is to live lives where we actually thrive. This is really the first time in human history where we have the opportunity to actually thrive, if you think of the evolution of the human brain, the mind. Now, for most of our evolution our focus was for short-term survival. We woke up in the morning and finding lunch was a good day. Now because of technology, the growth of affluence and so on since World War II, there's the opportunity for so

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much more. The key question is what actually stops us? See, since World War II income per head in most Western countries, including Australia, has roughly tripled. Measured happiness hasn't changed, but the really serious thing, Peter, is that the youth suicide rate has actually tripled since World War II, so not withstanding these great opportunities to actually thrive, to be authentic, to be ourselves. Now, by and large, we're not actually seeing people do that, we need to actually start with our kids to put money in a more meaningful context.

**PS** Okay, so we are short of time. Tell us in a sense what you think would be the best thing for parents to do to put their kids on the right road to feeling comfortable about money and themselves?

**AA** There's four or five key things they can do. First is to make money visible. Not so long ago, some people would actually turn up with a wage packet, the money would be put in jam jars, it would say *food, rent, clothes* and so on, so we all had a sense of budgeting from a young age. Now, of course, you go to a supermarket and the cashier says, 'do you want cash with that?'. So we need to give kids a sense of how much it actually costs to run a household. We need to give them their own budgets for items of discretionary expenditure, their sweets, their toys, their cinemas and so on. Give them some responsibility and some control. If they overspend, well my boss doesn't actually allow me to overspend, because he won't pay me more, and similarly we need to get our kids to be responsible. Then, going beyond that, we need to talk about money in a broader sense. In other words, we need to make money have meaning, so how does money actually relate to happiness, to a sense of joy, and so on? Too early I think we say to our kids now that we want you to go to the best school, we want you to do the best courses, get the best mark in the HSC, and go to the best university. What we mean by *best* too often is the *best paying job*, and I think the alternative is to think about childhood as a time to actually help our children explore what their passions are, what it is that

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Abey**

they really love doing, and to think of encouraging them to pursue a life with meaning and to put money second to that. Precisely enough arguments we come up with in *How Much is Enough* is that people who pursue their passions, more often than not, do well financially, whereas those that actually pursue money end up doing poorly.

**PS** Now, Arun, if people want to get more info about the book, what website can they go to?

**AA** Well, if they go to [www.howmuchisenough.net](http://www.howmuchisenough.net), apart from everything else there's some calculators there which can actually teach children the value of saving compound interest, how to save up for a car. There's a whole heap of useful information there, but I also encourage people to go onto the blog there and just share ideas about what parents are actually teaching about money and life.

**PS** Great. Thanks for joining us on *Talking Business*.

**AA** Thank you Peter.

## Matt Whitnall

is the owner and MD of popular transport company, Truck Moves Australia, a business that he has grown into having an annual turnover of over \$5 million. Matt shares with us the benefits of employing an over 50's workforce and gives us an insight into the freight industry.

[www.truckmoves.com.au](http://www.truckmoves.com.au)

**PS** It was obvious Matt Whitnall had caught the entrepreneur bug when at an early age boosted his boat shop bosses by delivering store catalogues directly to moored boats on Sydney Harbour. In 2003 Matt purchased delivery company Truck Moves, and took the business from just 12 employees to over 100 experienced truck drivers, who are mostly semi-retired or senior aged drivers.

Welcome to *Talking Business* Matt.

**MW** Thanks very much Peter.

**PS** So tell us about your business?

**MW** Well, it's a trucking business that doesn't own any trucks.

**PS** Ah that's good.

**MW** We had a family business that operated trucks and trailers and ran warehouses, all that sort of thing, and we're always on the lookout for a smarter way of providing a logistics service. This one has no trucks, had a low need for capital, very high level of service, able to respond very rapidly, and, yeah, it was in a niche market.

**PS** So tell us exactly how it works. I'm sure people are intrigued, I'm intrigued, so tell me exactly how it works? Truck business, no trucks?

**MW** Okay, so you own a truck dealership, and you've got a customer and they've ordered a brand new truck from you. That truck either needs to be manufactured or imported. The process of moving that truck from the wharf to a processing yard where it can get an Australian design compliance plate fitted, that sort of thing, and moved into a process of being built with a refrigerator on the back of it or a turntable, that sort of thing.

**PS** Tailor-made usage.

**MW** That's right, so we get involved in that part of the process. It's a process in that we might actually see the same vehicle three, four, five times before it arrives in the

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Whitnall**

customers hands. It's kind of the same to the dealer delivery charge that people pay on a new car, we provide that dealer delivery service for the heavy truck industry.

**PS** And so why did you hire semi-retired or senior truck drivers? What was the thinking behind that?

**MW** Great question. A little bit if a hangover from the gentleman that I bought the business from. He was at a retirement stage and had a group of friends, retired policemen as it turned out, reliable guys that didn't really want to retire but they wanted to stay active in the community. A lot of them had truck licences, like a lot of people of that generation do, and often a trade, and are very mechanically minded and that sort of thing. Very handy people to have in a truck related logistics business. In addition, they take a lot of pride in their work, good people to have on the staff.

**PS** So who are your customers then?

**MW** Our customers are the new and used truck industry, traditionally. That's been for the last 20 years, but with the GFC, as everyone seems to call it, we've had to expand that because that market has deteriorated temporarily. Clearly there's a great need for trucks in the trucking industry. Everything comes on a truck. Everything you're wearing, everything in this studio, everything on the plane probably has been delivered on a truck at some stage.

**PS** We're a function of trucks. A truckless society is a non-society.

**MW** Exactly. Well nothing moves without trucks. So what happened is we had to expand outside of our traditional market, and what I realised is that we had to think laterally, we had to talk to our customers who were traditionally truck dealers and dealer networks, quite large you know, multibillion dollar public companies some of them. We had to talk to their customers because they were the people that were going to still have a need to relocate vehicles

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around the corner or from one contract site to another site. Even large transport companies, the Linfox's of the world rely on a service like ours. If they've got a contract, say, in Western Australia that is coming to an end, and for whatever reason it's not renewed or there's a lesser need for as many vehicles, they might reallocate those assets to another part of their business in Australia, which means re-badging the vehicle, perhaps reengineering it to be specified for a different freight. For them to send their own driver and lose him out of their contract distribution business, which is again very very important, it's not a very efficient use of the human capital. We can do it in a very short space of time, using multiple drivers, it's all insured, you get a bill at the end and the job is done.

**PS** We're talking to Matt Whitnall from a company called Truck Moves Australia. And so in a sense Matt, what you've done is identify a gap in the market or an activity in the market you think you can deliver at a much lower cost to companies, and then you had to pitch it. How did you do your pitching? How did you get people interested in what you wanted to do?

**MW** Well we've prided ourselves on being a bit of a secret service, so this is a bit out of character for me to come and talk, you know, make it real, shine a bit of light on our business, because we like to just have our head down and do what we do. Logistics is not a sexy industry; we've tried to make it a bit more interesting. I guess the pitch that I do to truck dealers is that if I'm sitting with somebody and you're a senior sales person that's with a long track history, or a dealer principle, or a general manager or something, they're a pretty high salary type of person. Now, if truck sales go a little bit slow and their thinking, oh, save a dollar here and there by going delivering it themselves, when you calculate their salary back to an hourly rate, plus their on-costs and they've got to insure it, and somebody's got to book the flight if it's an interstate delivery... Then the next day they turn up for work and there's a complaining customer, and they think, oh look I'm a bit tired, you can just



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**Matt  
Whitnall**

see there's a bit of a knock-on affect where there's a false economy. They feel like they might be saving money but at the end of the day it's costing them a lot more.

**PS** Okay, so if people want to know a lot more about your business, what's your website?

**MW** [www.truckmoves.com.au](http://www.truckmoves.com.au).

**PS** Matt, thanks for joining us on *Talking Business*.

**MW** Thank you.

## Paul O'Callaghan

is the CEO of Reconciliation Australia, an independent national association of non-government organisations working in the field of international aid and development. Paul joins us on *Talking Business* to discuss how the corporate sector is getting behind the national effort to close the gap in life expectancy between indigenous and other Australians, and the future for indigenous people after Kevin Rudd's apology.

[www.reconciliation.org.au](http://www.reconciliation.org.au)

**PS** Paul O'Callaghan became Chief Executive of Reconciliation Australia in April this year after holding a number of diplomatic positions, including being Australia's High Commissioner in Samoa. Reconciliation Australia is an independent not-for-profit organisation that fosters reconciliation between indigenous and non-indigenous Australians, and encourages and supports organisations in signing up to their own reconciliation action plan.

Welcome to *Talking Business* Paul.

**PO** Thank you.

**PS** Paul, what is your background? You ended up being High Commissioner, but what was your real job before you got that lovely job?

**PO** Well, I guess I like communicating, a bit like your job, and one of the things is when you're representing your country overseas a lot, as I did in both South East Asia and the South Pacific, you get an opportunity to learn a bit about cultures and people in those countries, how the countries operate, and it gives you a chance to think about how we are in Australia, many of our strengths and some of the things that aren't so strong in.

**PS** So what are we like? If you compare us against all the other countries of the world, and be as objective as you like, I won't toss you off the program, but are we good at relating to our indigenous brothers?

**PO** Look, there are some areas of real strength and my organisation, Reconciliation Australia, did a survey last year that found many Australians, both indigenous and non-indigenous, have very positive attitudes about wanting to actually work together, be together and so on. But compared to countries like New Zealand, Canada, United States, some of the countries I've been in diplomatically as well in the South Pacific and South East Asia, we're really weak in this point of our history in that we haven't overcome some of the stereotypes that are still there. We haven't quite found the right ways to work together well enough, if you like, but

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O'Callaghan**

there's a lot of positive attitude coming through in the survey findings that we did just last year in Australia.

**PS** Well, let's take New South Wales and possibly Victoria as examples. As states we haven't been actually asked to consider our relationship with Aboriginal fellow Australians like they have in the Northern Territory. Is it a fair call? It seems to be that Northern Territorians are more relaxed because they're use to being with Aboriginals?

**PO** Well of course the population is different in the sense that a significant part of the Northern Territory population is Aboriginal and Torres Strait Islander people. Here in the South East of the country it's nowhere near as large, it's a relatively small part, but in places like Sydney there is nevertheless quite a sizable group of people of Aboriginal and Torres Strait Island background, so I think it's not surprising in some ways that we haven't moved quite as much in certain areas. But the great thing is that there's some particular ways we can do this, there seems to be a lot of good will at the moment, there's a great degree of momentum out in the community, and if you think back just over the last seven or eight years there have been a number of indications of public interest, including the walk across the bridge, and even the response to the Prime Minister's apology last year was something that indicated there was a good deal of feeling there.

**PS** We're talking to Paul O'Callaghan who is the Chief Executive of Reconciliation Australia. So since the apology, had your organisation received a surprising amount of support for the work you guys are doing?

**PO** Sure. Look, one of the things we found around Australia at the moment are there is a strong interest by people in companies, local councils, and in a range of organisations, who want to do something other than just talk about the issue, why can't we have better relationships. My organisation has managed to develop, over the last few years, a particular program which is called the *Reconciliation Action Plan (RAP)* program, which

**Paul  
O'Callaghan**

basically provides a pretty simple tool kit to help interested companies, or churches or other groups that want to do this, to develop their own internal plan. They can be very small organisations or they can be as big as BHP. Of course Qantas has been a real leader in this itself and they devise their own internal plan about particular things that they would like to do. Some of them are relatively simple things, but they're things within their own power.

**PS** Can you give us an example of what the key components of this *RAP*, *Reconciliation Action Plan*, are?

**PO** Well the *RAP* plan is basically something that is built around the idea of finding ways to develop better relationships outside the company, but also internally for companies that have indigenous employees. It offers them an opportunity to take part in helping to shape this plan. But also of course, again, a number of our bigger companies have already done this to identify ways of which they can do procurement arrangements with indigenous suppliers of goods and services that they involve. For example, the mining companies that are involved in generating employment, but also liaising with traditional elders in the areas that they're working in. Simple things as well, for example, in the case of one of the high schools just south of Adelaide, called Christies Beach High School, which has got about 110 Aboriginal kids. They came up with the idea for their reconciliation plan of creating a very large native garden using a variety of species that were used for medicinal and other purposes, and they've turned this into a venture. I've been there myself, it's a fantastic thing, and a lot of visitors come down from Adelaide to have a look at it. The kids show them around and they feel very proud about it. That's an example, if you like, at a micro level of one of the things that can be done.

**PS** I'm sure someone listening on the plane right now would've said to themselves, well I wonder if Reconciliation Australia has a list of indigenous suppliers to business? Is there a directory of what businesses are out there?

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**Paul  
O'Callaghan**

**PO** There is actually an organisation that has that particular database which we can easily provide if anyone wants to get in touch via our website.

**PS** Is there anything else you think we should know about what you guys do that could also spark the minds of people in business?

**PO** Well, I think the key thing is many Australians in the past have thought about *is there anything we can do*, and people tend to be overwhelmed with the scale of the issues and they hear about this huge gap in living standards, and so on. But what we've found is that there are tens of thousands of people around Australia, right this week, who are involved one way or another in these kind of reconciliation plans. Some of them are in small regional hospitals, many of them are in schools and local councils, and trade unions in a lot of companies, and they've basically found an opportunity, if you like, to be able to devise something that they could do which is very tangible. It's not going to turn around the company in any negative way, but it does offer an opportunity for them to provide leadership in their own community and show that they want to contribute a change in Australia in the right direction.

**PS** If people want to know more about what you guys can do, what's the website?

**PO** It's [www.reconciliation.org.au](http://www.reconciliation.org.au).

**PS** Thanks for joining us on *Talking Business* Paul.

**PO** You're welcome.

## Trent Brown

is the CEO of Ezy pay and has worked in numerous roles in human resources, operations, and executive roles in the manufacturing, marketing and the business process outsourcing industries. Ezy pay is an outsourced direct debit provider, and Trent argues that cash flow will help business through the financial downturn.

[www.ezypay.com.au](http://www.ezypay.com.au)

**PS** Healthy cash flow is of course crucial to any business, but with debtors sometimes slow to pay, it can often be difficult to manage it. Trent Brown, CEO of Ezy pay, an outsourced direct debit service provider, believes that in order for businesses to thrive through tough times it's important for them to take control of their cash flow.

Welcome to *Talking Business* Trent.

**TB** Thank you very much.

**PS** Now, Trent, your background? Where have you come from?

**TB** I worked my way through the direct marketing industry. I actually undertook some operational roles in there, and I actually lead a company called Customcall, which is an outsourced call centre company, one of the fastest growing companies in Australia. I worked my way up to CEO, and beyond that I moved onto Ezy pay.

**PS** Okay, I just wanted to established if you were a *bean counting* accountant, just to prepare my listeners on the plane.

**TB** I must confess, I studied accounting, realised my calculator and I didn't get on as well as we should, and moved over to human resources which is completely opposite.

**PS** But certainly when it comes to cash flow during tough times it's critically important. So what are the big lessons that people, like we're talking about businesses of course in terms of cash flow, what are the big lessons?

**TB** Look, what we find constantly is people delaying invoicing. We say, act fast and act on time. Every day that you actually delay putting an invoice out is another day you have to wait for that cash to come in, and I think statistics are something like the average 30 day terms that are put there is taken for people to get paid.

**PS** What's the thinking there? When you need money you delay invoicing?

**Trent  
Brown**

**TB** I know it's incredible. I think it's just people think I need to write the business, but they never think of the backend processes. They've focused too much on the sales process but they actually forget really what needs to occur is that you need to get paid. Probably another piece of advice is, get to know your accounts payable person in the business, they're the forgotten person. Usually you go in, you get your key contact, you show them a lot of love and then you forget the person that's paying your bill, when realistically the person you should be sending the birthday card to is the accounts payable person.

**PS** Most definitely, but Trent are we talking about businesses of certain size that are more likely to be forgetful about invoicing?

**TB** Absolutely. Probably on the other end we're dealing with businesses that are very knowledgeable and actually delay payment.

**PS** I was going to say that's the best strategy. Delay payment and increase your invoicing.

**TB** Absolutely, but I guess that's where people need to protect themselves against those sort of strategies, that in particular larger businesses will actually undertake. So smaller businesses need to strategise, think about their cash flow and how they're going to make sure they get it in on time, every time.

**PS** Can you observe the people you've seen at the debt collection game, businesses I'm talking about here, and make a comment on whether you're surprised and actually have a strategy to collect their money?

**TB** I am surprised, but at the same time there usually comes this point where they actually start realising that unless they have a strategy, that they've found themselves falling into a spiral. So as soon as you don't get money in the door means you can't pay your suppliers. When you can't pay your suppliers, you can't actually supply your stock out to your customers, your customers get dissatisfied,

**Trent  
Brown**

and suddenly the whole thing starts unravelling. Yes we see that constantly, but then there becomes this great realisation that, 'Oh my God, it's all got to do with cash!'. We get fixated in business about profit, and it's very important, profit is there to feed cash into your business so it can be sustainable...

**PS** So we're talking to Trent Brown, the CEO of Ezy pay. What exactly is Ezy pay for people who have never heard of you before?

**TB** Ezy pay collects regular payments on behalf of businesses, using direct debit from any major bank account or credit cards. I suppose from a cash flow perspective, we actually help people proactively manage their cash flow by setting up regular direct debits out of their debtors accounts to ensure they get paid on time, every time. To give you an example of that, it's around 99% of payment, so it leaves a bad debt ratio of around about 1% which is then not a loss situation, they can follow that up.

**PS** So you're sort of saying, if you don't want to be a debt collector, you can outsource it to a company like yours?

**TB** Absolutely.

**PS** But then do people say, 'oh I'm worried that my customers might think that you're like a debt recovery agency, that they're bad payers and therefore I've brought the heavies in'. Is that an issue they're concerned about?

**TB** Funnily, no. And the key reason for that is time. We're time poor in this society and we actually have customers who have their customers coming to them and saying, 'can we pay by direct debit? I don't have the time to actually go down the bank and do BPay or whatever other payment solution there is, I want a *set and forget situation*'.

**PS** And so, in a sense, it's not like door knocking, *Ezy pay here. Pay up or else!* It's just an automatic system.



**Trent  
Brown**

**TB** No, definitely we don't have to take the baseball bats to anybody, that's certainly not what we do.

**PS** Okay, now given you're an expert in the payment collection system, for those people who don't want to use you, let's just use you for your knowledge. Is it really important to have a great script prepared if you're ringing up a customer who's late in their payments?

**TB** Look, it is and I would say do that regularly. A lot of people put it off because they are afraid that they might actually disrupt the relationship, but the reality is that regular contact and an ongoing relationship leads to people paying. We say anything that differentiates you, and relationships are one of those key ways that will actually make you different. Another thing is make your invoices a completely obscure colour. A bright orange invoice, so when shuffling through there, they can say, *oh I can see it right now. There it is, it's the orange invoice.* So, you know, we say yes, definitely write a script but don't be so structured where you're being demanding.

**PS** Do you also think that just as some small businesses are late in invoicing, some businesses actually forget about paying on time, it's not like they've actually created a contrived plan not to pay, it's just simply they're out of control and they forget to pay?

**TB** Definitely. Particularly in this market, and as the economy is at the moment, resources are stretched. People are doing things once a month, so unless you absolutely fall within that cycle - and this is another reason you need to get invoicing in on time - if you miss that day that they pay, you're going to miss the cash for the rest of the month, so your debtor days are just blown out by an extra 30 days instantly. So sometimes it's not contrived, sometimes it simply is people not being able to manage the amount of workload they have.

**PS** Is there any other sort of debt collecting hints that you would offer people listening on the plane right now?

**Trent  
Brown**

**TB** Look, I really do think that people need to be proactive, and without sort of going down the line of direct debiting (and pushing my own product)... Realistically people enter into a sales relationship where they say, 'I'm going to give you products and you're going to pay me within a certain timeframe', and that is a contractual obligation that both parties have... Now most businesses undertake their obligation and there's no complaints to that. What you're doing is asking somebody to uphold their side of the relationship, so having a proactive channel where you can get the money absolutely dead on the dot is a piece of advice I would actually tell people to put into play.

**PS** And I guess the point you made earlier, it could actually be a part of customer service offering. Would you like to pay automatically or not?

**TB** And even bigger businesses now, once again, because of resources are actually saying, they prefer to pay via direct debit. So I guess it's about this being proactive and doing things on time. If you actually go in and get the money that you require on time, you effectively take your debtors days down to zero and that's an ideal situation.

**PS** Trent Brown from Ezy pay, thanks for joining us on *Talking Business*.

**TB** Thank you very much.

## Peter Poulos

is the Managing Director of Poulos Bros Seafoods, one of the largest distributors, processors, importers, exporters and retailers of Fresh and Frozen Seafoods. Peter joins us to discuss how the family run business has adapted over the years to cater to the strengths of the upcoming generations.

[www.poulosbros.com.au](http://www.poulosbros.com.au)

**PS** Peter Poulos is the Managing Director of Poulos Brothers Seafoods, a 41 year old business on the East Coast of Australia. He basically describes his company as *the fish people*.

Thanks for joining us on *Talking Business* Peter.

**PP** Thank you Peter.

**PS** I wanted you on the program because, not only is this a successful business, it's also a successful family business. But you've had challenges along the way, and I'm sure lots of people who've started a business and grown a business with their family have noticed these challenges, and I want to talk to you about how you as a family cope with those? For example, your dad, how old is he and he's still in the business isn't he?

**PP** My dad's 73 years old and he's still in the business. My uncle, who started the business with my father, past last September, so seven months ago, and that was an interesting exercise. You've got to remember this is a business that was started by two guys, two brothers who became partners in the late 1960s, who then went on to have a family each, brought their sons into the business because we all wanted to be in it, uncles, brother in-laws, lots of family members. At one stage we had 15 family members in the business working together.

**PS** And Greeks like to be bossed around don't they? They love to be bossed around.

**PP** Yeah exactly. Well, we had 15 family members and we had 16 bosses basically, and that didn't include our wives and our mothers, and so it was a unique experience. Family businesses have an amazing dynamic that are completely different from other businesses.

**PS** Now, when I first met you, and it must have been about 10 years ago, I think you were actually espousing the value of what you've got out of the Family Business Association of Australia in terms of the groups where you talk to the similar

**Peter Poulos**

people like yourself, you know, running a family company, but you've still got older family members in there. Has that been an important thing for you to cope with in the family business?

**PP** I think for us it's actually been the key to the success of how to manage the family dynamic within our business. I joined Family Business Australia about 12 years ago, and for the last three years I've actually been on the New South Wales committee because I need to put a little bit back into it. What FBA has done for our business is that it's opened our eyes to the fact that we're a family in a business, but we happen to be a family with a business, and that allows us to look at things and say, 'okay we're going to have some problems that are unique to us, how are we going to handle it?'. Doesn't mean that we don't have problems, doesn't mean that we don't fight and have our full and frank discussions, but it allows us to take a small step backwards and say we're aware of these problems.

**PS** Did you create systems once you recognised that you needed to separate the family from the family business? Was this something that actually has developed along the way? Like for example, the Nugan's from Nugan Estate Wines. Tiffany said that her mother is not allowed to ring up after seven o'clock and talk business, if she rings up after seven o'clock she's mum or grandmother, but she's not CEO of the company. Have you established rules like that?

**PP** No we haven't. Mum likes to establish the no business at the table rule, but that usually falls apart after the second beer or second glass of wine, but no we don't. Our business being seven days a week around the clock, with people, suppliers, fisherman, calling us at all hours of the day, you're always talking it, you're living it, you're breathing it. It's awkward sometimes trying to take that little step back and saying, *hello mum, hello dad*, rather than *boss you're in the way*. So it's an interesting dynamic, but we enjoy it because it's part of what we do and we recognise that as part of who we are.

**PS** Before we start talking about your business – and I do want to talk about the spectacular growth of the company –

**Peter Poulos**

being a Managing Director, I presume your dad is Chairman? How does he call himself, does he just call himself Boss does he? How have you found making decisions, working out to, sort of, fall in line with what you said?

**PP** Our organisational chart is really interesting. Dad is the Executive Chairman, he's also our Chief Fish Market Salesman, he's still the best salesman we've got in the business. He's really happy buying and selling and trading his fish. He doesn't like getting his hands dirty in the administrative side of the business because as far as he's concerned the business is buying and selling fish and that's what he does. As Managing Director I get to make a lot of the other decisions that don't involve fish. Specifically, I don't buy and sell fish anymore, which I miss, but running a business the size of ours it's not all about just buying and selling fish. Making decisions for the business is at times very challenging because everybody has an opinion and every family member and every stakeholder in that business has an opinion. Sometimes it's very difficult to come to grips with your brother having to decide he's got to listen to his other brother even though he doesn't like the decision, and that leads to some really interesting discussions at times.

**PS** Yeah. So we're talking to Peter Poulos from Poulos Brothers Seafoods. When you get that kind of conflict, do you have a process to sort it out or is it just like; *this is my rank and if you don't like it, go eat fish?*

**PP** [laughter] Well, sometimes we descend to good old fashioned brotherly love and take each other outside and beat up on each other. Mind you, it's been a few years since my brothers and I have come to blows, but it gets very loud and verbal sometimes. We try to meet together, we call ourselves the cousins conference because of the seven sons in the business, and so we try and get together anywhere between two and five times a year where we basically air all grievances, all matters that are coming and pending, and that's probably our most formal structure in that nobody is allowed to contradict or interrupt.

**Peter Poulos**

**PS** And do you have a facilitator or do you trust everyone to sort of follow the rules?

**PP** Oh no, everyone follows the rules. We've been doing it for a number of years and we're actually getting better as we get a little bit older.

**PS** Less testosterone maybe? [laughter]

**PP** No, I think we're all getting a little more comfortable in the fact that, well, we're doing okay so something must be working right for us, and taking everybody's opinions and getting some guidance when we need it from outside actually works. It was difficult in the early days when the transition was happening, from dad and uncle being autocratic outright rulers, to ourselves taking more of a hands on control of the destiny of the business, and a lot of the younger guys especially were a little nervous and wondering are we the right people to do it.

**PS** Had your dad, and your uncle who recently passed away, did they change as autocratic rulers? Did they become more understanding of the contributions that the cousins and the sons were going to make?

**PP** My dad still describes himself as a benevolent dictator.

**PS** And you're the Damaging Director? [laughter]

**PP** And I'm the Damaging Director according to everybody. Yes, he has changed, and yes they both did change. I think a lot of it was that they accepted that a lot of the burden was being lifted from them and the responsibility, and that level of responsibility allowed them to get back to what they were truly passionate about, which was simply buying and selling fish. Running a multi-locational business across many jurisdictions and different states, it's a complex web, especially nowadays with, besides the technology, the legal requirements and everything else that goes in to run it, and they're more than happy to leave that to somebody else to do.

**PS** And you've left them in their strengths zone, and where they would have been weak, you guys have made those

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**Peter Poulos**

weaknesses irrelevant by being strong there, and that's part of the success of the company surely?

**PP** Well, we've found a niche for almost all our players, all our family members. Everybody had strengths and weaknesses. Some of my cousins and brothers have absolutely no time for contract agreements or paperwork and detail, and are some of the best buyers of fish or graders of tuna. One of my brothers is one of the best tuna graders in New South Wales, and yet ask him to do his paper work, to do his supplies invoices and get his purchases orders in, he won't do that. And yet there are others of us who don't like getting our hands dirty or getting up at 2am, but are happy to work till nine o'clock at night. So we try to find a home for everybody and we've tapped into that pretty well.

**PS** Brilliant stuff mate. Can you give us two websites, yours and also Family Business Australia as well?

**PP** The Poulos website is; [www.poulosbros.com.au](http://www.poulosbros.com.au), there you'll see a profile on us. And Family Business Australia is; [www.fambiz.org.au](http://www.fambiz.org.au), and I highly recommend that to any family business out there because what's in there is absolutely priceless.

**PS** Thanks for joining us on *Talking Business*.

**PP** Thank you Peter.

## Nick Pappas

is chairman of the South Sydney Rabbitohs and Laiki Bank Australia, a relatively new bank to Australia owned by the European giant, Marfin Popular Bank. Nick joins us to talk about what small to medium enterprises need to get out of their banks and forecast the challenges and opportunities of the economy.

[www.laiki.com.au](http://www.laiki.com.au)

**PS** When South Sydney Rabbitohs need representation in their bid against News Limited, the ARL, and the other NRL clubs, for the teams reinstatement into the NRL competition between 1999 and 2002, they fortunately called on the right guy. Nick Pappas has lead the team in what was a very well publicised event. Nick has been a practicing lawyer since 1984, and later established his own firm. He is now also the Non-Executive Chairman at Laiki Bank Australia, and the South Sydney Rabbitohs.

Welcome to *Talking Business* Nick.

**NP** Good to be here Peter.

**PS** So, Nick, you're a lawyer but how come you've ended up in football? What's the story there?

**NP** Well, it was that connection that you just said there, that need for representation of the club at its hour of peril (and it was a demanding piece of litigation, probably the most demanding I'll do in my lifetime) and it was the club I loved. So it was a combination of passion and, I suppose, legal diligence and legal demands placed upon me to represent the club I loved. It was a coming together of my professional life and my sporting passion.

**PS** So you must be happy about the progress the club has made in its performances on the field?

**NP** It's been a long steady progress. The club is an amazing club, the oldest club, as you know Peter, and the most successful club. But a club that's experienced, for some decades now, a lack of success and we're trying to recreate the club and reinvent it. I'm delighted that we've now hit record levels of membership and we've got two fantastic investors of the club, Russell Crow and Peter Holmes à Court, who helped steer the club to this new era of what we believe will be prosperity, and ultimately a premiership.

**PS** Okay, now let's go to... the pronunciation's right, *Laiki Bank*?

**NP** *Laiki* Bank yes, the emphasis on the last 'i'.



**Nick Pappas**

**PS** Yes I thought so. My colleagues said Lackey Bank. But I've been to Greece a lot and I've got Greek friends who always change my pronunciation. What does *Laiki* mean?

**NP** It means a *popular* bank, it's the Greek word for popular and it has its origins in Cyprus, it's a Greek Cyprian bank. It spread to Greece and now throughout South Eastern Europe, and it's part of a very dynamic group called the Marfin Group, which is an investment group based in Greece, Cyprus and Dubai, and the bank is one of its investment arms. We're delighted to be part of what is a very robust financial services group.

**PS** So how long has the bank been in Australia for?

**NP** The bank's been in Australia, going on nearly as a fully fledged ADI, it's now been in Australia since 2001. Before that of course it was here in a representative capacity, but it's a fully fledged bank since 2001.

**PS** And how have you guys found the global financial crisis?

**NP** Oh, look it's been challenging for everyone, and small banks are not immune from the demands that the crisis is producing. But having said that, I think we're coping well. We're a conservative bank and that's the spirit that emanated from the group office. We use our deposits to fund our loan book, we don't speculate on the market at all, and I think because we've always had a fairly conservative credit policy, we haven't been hit as hard as perhaps other institutions.

**PS** Which will draw upon some of the funny Greek movies we've seen in the past, as all the transactions are in cash? [laughter]

**NP** Absolutely not, absolutely not. We don't deal in *Greek Express* as it's colloquially called. No, we deal as any bank should deal, our prudential standards are very very high and we're very fortunate to be in Australia, all the financial institutions are fortunate because we have APRA that keeps a very close eye on all the banks and all the financial institutions. So they're policies we've always had at Laiki Bank.

**Nick Pappas**

**PS** And of course many of us have complained about the intrusive nature of the likes of APRA, but it's really come to roost in our favour with this global financial crisis.

**NP** Oh it has. Whenever you hear someone saying why the Australian economy will endure better than others, it's always because they say the banks are well placed and it's the same with us. At Laiki Bank we adopted very, very, high prudential standards, conservative lending policies, always careful with our liquidity, always careful with our risk management practices, and they're things that we've learnt from APRA as well.

**PS** We're talking to Nick Pappas, the Non-Executive Chairman of Laiki Bank. Now, Nick, in terms of your target audience, clearly you have great support from the Greek community, I would have expected, but clearly you don't want to just do business with expatriate Greeks. What is the bank targeting as a group?

**NP** We target everyone, we don't exclude anyone from our targets. Obviously the bank has its origins in a Greek migrant population here, but many of those Greek migrants are second and third generation, and they've very much integrated into the broader community, as indeed we all should. But having said that, we have a customer base that straddles every ethnic grouping in Australia, as the Chinese community happily call us the *Lucky Bank* – we don't mind being called the *Lucky Bank* – and we have I think a customer base that straddles all social spectra and all cultural spectra, and that is something we're working on building. Obviously though, still the core of our market remains in the Greek community but only because of familiarity, nothing else.

**PS** So are you targeting residential home loans, SMEs or investment community?

**NP** Our target and the bulk of our work is in the SME and domestic market, and given our size, and we don't want to hold any pretensions about our size, we're still a very small

**Nick Pappas**

bank here, a bank that has a retail presence of 10 branches in 3 cities. Can't have any pretensions of what it can do and about its lending abilities. But having said that, we're looking at building on that and infiltrating more and more into the SME market because that's where we see the future lays for a bank of our size, and as a time when competition in the banking sector is contracting and contracting rapidly. We've almost rewound the days of when there were no non-bank lenders, we're almost heading backwards, we think there's a void there that Laiki and other small banks can fill.

**PS** So, in a sense, the banking system was turned on its ear when John Symonds understood the secrets of securitisation. Securitisation now pretty well is dead, but it will eventually come back, but probably not in the old form. Do you think it's going to be the smaller banks that will serve up the bigger banks over the next year or two?

**NP** We think so. We think there's a critical period over the next 24 months that we can really make a lot of ground on that void that's been left behind, and we also think we can provide that closer service, that closer interaction with the bank. The bank is a small institution with 125 staff across the country. You get to know your staff very well when you're a customer of Laiki Bank, you get to know who you're dealing with, and we think people still demand that. I still deal with the large banks, I have to as part of my life, and I don't know who I'm dealing with from one day to the next, and that's just a sad reality of a large organisation. We think we can fill a void and also be very competitive, while at the same time remaining true to our very conservative credit and prudential standards.

**PS** Do you also see the fact that we're becoming more comfortable with internet banking as being another channel through which your services can be channelled?

**NP** Yes, absolutely a physical presence is not as great in need as perhaps it once was. There still needs to be brand recognition, you still need to feel that you're a safe, reliable, large institution, or large in their sense of safe to bank with.

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**Nick Pappas**

So they need to see you, you need to be visible. But the huge retail presence is not as important as it use to be and we think we can build on that by building on our eBanking.

**PS** And I guess one of the most important messages that you'd like to get across is that Laiki Bank is, in a sense, supervised by Australian banking regulations?

**NP** Absolutely, it's a highly owned subsidiary of a parent group overseas, but it is absolutely answerable to APRA and the Reserve Bank for everything that it does, and it has its own local directors who have their own reputations on the line. We're determined to make this bank a success and to make sure that, in terms of probity standards and prudential standards, it adheres strictly across all areas of the bank's operations.

**PS** Well, as a Roosters supporter, I hope Laiki Bank does well, but I don't really want the Rabbitohs to do all that well. Thanks for joining us on *Talking Business*. [laughter]

**NP** Thank you Peter. I'll forgive you that.

## Maureen Housein Mustafa

is the CEO of the Australasian College Broadway, the largest College in Australia that offers Nails, Beauty, Makeup and Hairdressing qualifications to students. With a history in building successful businesses from the ground up, Maureen's latest project is not only thriving but also aims to giving back to disadvantaged communities.

[www.australasiancollege.com.au](http://www.australasiancollege.com.au)

**PS** Maureen Houssein Mustafa, like many entrepreneurs, enjoys a challenge. After starting out with a career in sales, Maureen opened beauty salons in the Inner West of Sydney, and later the Eastern Suburbs, and discovered a new business opportunity that could also help the community. She found training and high standards were lacking in the beauty industry, and so she started the Australasian College in 1994 to turn it all around.

Welcome to *Talking Business* Maureen.

**MHM** Hi Peter.

**PS** Now why don't you tell us about how you ended up going from hair salons to starting this college, and tell us what the college does?

**MHM** Well I was actually General Manager at Full Service Beauty Salon, Hair and Beauty. It was 70 staff, opened seven days a week, 12 hours a day, and we had a lot of turnover of staff. I found that the training that they had really didn't measure up, and it was in the Easter suburbs, we were looking after the top 5% and they just had no idea. And, if you travel internationally, there's a certain way of customer service and conducting yourself, hence when I resigned I wanted to start a college that is known for excellence, and that's how I started.

**PS** So you're sort of staying that because lots of hairdressers and people in the beauty industry are trained maybe in suburban salons, there's no significantly high standard, some are and some aren't up to scratch?

**MHM** Well it was a funny time because it was many years ago and the only place you could actually get trained in was TAFE. TAFE is excellent, however, it's like going to state school or a private school, you basically expect better results at a private school, you're paying so much more.

**PS** And I guess it's also like when, even in the state school system, they have a school for actors or a school for sports people, you get excellence in those places rather than a general high school.

**Maureen  
Housein Mustafa**

**MHM** Exactly, and so we started here in Broadway, and we started very very small, specialising in nails, and then we built an excellent reputation, went onto makeup and went onto beauty therapy, and in 2004 went onto hair. So now we have the largest... and I must say it's the benchmark college in Australia, and it's only down the road here and it specialises in beauty therapy and hairdressing.

**PS** How big is it?

**MHM** 2,500 m2, has 48 staff and is open six days a week, four nights a week at the moment.

**PS** Okay, so this was your baby?

**MHM** Yes.

**PS** So you started small, and I guess because it started small you're able to organically grow it, maybe take in a business partner along the way?

**MHM** No, no, no. It's owned by myself, wholly and solely, and it's grown slowly – not bang – it just grew slowly and developed from that.

**PS** How have you found picking up the business owner skills? Because you were a manager of a salon, it's still different from being a business owner isn't it?

**MHM** Very much so. I've only ever had two jobs in my life, one was for the Joyce Main Shopping Complex, which I actually started in the furniture area of what's now known as Domain, and I had an excellent education from 22 to 25 from a man called John Adrian Thorpe. What you learnt there money couldn't buy, was how to wheel and deal, and grow, and I actually read a lot and picked up a little bit from here, and a little bit from there, and it is difficult.

**PS** We're talking to Maureen Houssein Mustafa, the founder of the Australasian College, Broadway. Do you find it difficult to actually sell what you do because you don't say it's the Australasian College of Hair and Beauty?

**Maureen  
Housein Mustafa**

**MHM** Once upon a time I went to a man we know, and that's Harry N Miller, and he said, *Sell the brand! Sell the brand!* So it was Australasian College. Nails, Beauty, Hair. When I met with him five years later he said, *Name's too long. Change the name!* Change the name! Hence we went to Australasian College, Broadway, but we are known in the industry now and so it's been about 15 years.

**PS** So are you effectively competing with TAFE to send their young trainees to?

**MHM** Yes, yes and also we have a competitor, and I must say I think we're the only ones that actually do the four areas, the nails, the beauty, the makeup, and the hairdressing. There are some beauty colleges, there are some hair colleges, we have everything under the one roof.

**PS** So you compare what's going on in Australia with, say, benchmark type cities like New York – and I, by complete fluke, a year ago went into a top notch salon in New York and was quite staggered at the level of professionalism, the systems and the kind of extra services they throw into their customers. Are we at that level, or are we approaching that?

**MHM** No, I don't believe we're at that level. In fact about five years ago they started the spas, and in Europe the spas are very big, but this is where a man or a woman goes in and spends half a day and \$400 to \$500. We don't do that sort of thing, so they didn't do very well, and we do have some spas Australia wide but you don't go there every week or every fortnight, it's more like a treat. Overseas they have an extremely high standard, but don't forget population wise. I mean, you go into those places and you lose \$400 or \$500, and we don't have that population, that many people that will do that.

**PS** So how big can this college become? Have you got dreams for how big it can become?

**MHM** Well, we actually have just been the very, very, first to have our courses articulated to university, and we have articulation to Victoria University. So if you come to the

**Maureen  
Housein Mustafa**

Australasian College and do beauty therapy, perhaps you get 33% off a degree in Health Science, which helps you actually go and work with plastic surgeons. And in hairdressing, if you did two years with us in hairdressing, you articulate to a degree in entrepreneurialship and small business.

**PS** So effectively a third of a course is given credit. You've got two thirds of the course to go.

**MHM** Correct, yes. And the next thing that we're doing is that we're negotiating with Victoria University to be their Sydney campus. The way that beauty therapy is going, it's going into the paramedical area of things, so it's not just your powerful puffy anymore, you actually have things like your laser treatments, and your microdermabrasion treatments, and a lot in the sense that you need a person that has more dermal therapy training.

**PS** Yes, because I'm noticing that there are plenty of clinics out there that use lasers to take away wrinkles and things like that. Now clearly that is something that will go really well with a hair salon but you need to train people for it don't you?

**MHM** Yes you do. It depends on the level of training, but more and more people are wanting things done.

**PS** Okay, one last provocative question Maureen, and you're the person who's got the skill and the quality to answer it. There are probably a lot of blokes on the plane who are actually listening to us right now, and while I think women have real attention to detail, do you think we guys are sometimes a little bit slack in the way we present ourselves and should invest a little bit more time in our overall look?

**MHM** Yes, but that comes from way back in the teenagers because young teenage girls read Dolly and Cleo from a very young age and are looking at how they should look better. The boys don't get that, nobody tells the 12, 13, 14 year old boy how to look after his skin, or his hair, or his nails, or tint his lashes, but more men are getting into looking after their face and their skin.



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**Maureen  
Housein Mustafa**

**PS** And I guess the end result is if you ever want to try and impress a sales customer or a boss, looking the goods is a part of the process.

**MHM** We all know that presentation is everything, and the successful people are understanding that. Hence you have the Obamas and Mr Howard, they would have a specialist make them over and make sure they have a certain style about them.

**PS** Without a doubt. Johnny Howard in the 1970s was far less attractive than he was in the 1990s and the 2000s. Maureen thanks for joining us on *Talking Business*.

**MHM** Thank you.

## Kieren Perkins

is a dual Olympic Gold Medallist, former World Record holder and a highly experienced motivator. As a veteran Qantas ambassador, Kieren has been a part of many great Qantas community initiatives and events. Since his retirement from competitive swimming, Kieren has joined the corporate consultancy firm RogenSi, and is here to share some helpful insights into how to help your staff maintain positive outlooks and help the company to grow positively.

[www.rogenSi.com](http://www.rogenSi.com)

**PS** As the winner of two Olympic gold medals, the breaker of 11 World Records, and the first swimmer to ever hold Olympic World and Commonwealth Pan Pacific titles simultaneously, I could really only be talking about one person and that is Kieren Perkins. A Qantas Ambassador, Kieren is now bringing his experience in sports to the corporate world as a Director of global consultancy, RogenSi.

Welcome to *Talking Business*.

**KP** Thanks Peter, how are you?

**PS** Well, good mate and glad to have you on the program. I reckon one question a person on the plane would be thinking, how did Kieren get from the pool to RogenSi?

**KP** Oh, it's actually one of those round about stories, and it's really funny where life leads you. I mean, obviously having been involved in professional sport for so many years, you spend a lot of time dealing with psychology and understanding performance, and team leadership, etc. When I retired from swimming, initially I started doing more and more key note work, and a gentleman I know, Doctor Clark Perry, who was actually one of the physiologist at the AIS for many years and was on the swimming team the entire time I was there, he'd always have a bit of a sideline business doing corporate team building and culture development leadership type training. He brought me in for a couple of keynotes, which turned into a couple of joint facilitated sessions, which turned into a consultancy business. As it turns out, I was, in 1993, a part of the Bid Team for the Sydney Olympics, and the entire pitch in fact was put together by a gentleman by the name of Neil Flett, and Neil was the founding Chairman of Rogen here in Australia. I probably didn't appreciate it at the time, but Neil really was the guy who taught me how to present and speak, and I've also known Neil for many many years. He and I are both Board Members of the Starlight Children's Foundation, and we were at a function farewelling one of our members and a third party asked me what I was doing. I went into the elevator pitch and, of course, Neil and I both

**Kieren  
Perkins**

assumed we knew what each other were doing. I think about 30 seconds into me opening my mouth he had a card out of his pocket and said we need to chat. Rogen had become RogenSi by then, and I think it was about eight weeks later, Dr Perry and myself were also members of the RogenSi global team.

**PS** So it was the elevator ride you had to have. [laughter]

**KP** [laughter] I'd like to take credit for being extraordinary at the elevator pitch, but I think it was because Neil knew me more than anything.

**PS** Okay, so let's talk about something, the kinds of things that you talked about at the various corporate audiences – and I know you've got an interest in retaining top talent. Do you think our leaders are fuelling the fire, or are they fuelling the future?

**KP** Look, it's a very, very, interesting question and I think when you take into context the change that we're going through globally at the moment, you know there isn't a business out there that hasn't been effected by what's been happening, and it really does bring into stark contrast, I think, all of the questions that leaders have, sort of, had in the back of their minds as well – what do we do about retention? Why is it that this particular group of people have or haven't been leaving, and what is it that I can do to help manage that better? And you know, we don't like to pigeonhole people, but of course the under 35 age group, the Gen Y's as we unfairly create genetic maniacs around, you know they've been a group of people who are really looking for an engagement which goes beyond just providing a stable income and a career opportunity. I think businesses have slowly but surely started to, and realised they had to, do something about engaging these younger people better. But of course with the global financial crisis I think the attention to retaining top talent has been emphasised significantly because we're all asking our people to do a lot more with a lot less, so how engaged are people within the organisation? Are they giving us their discretionary effort without us having

**Kieren Perkins**

to pay them more, which obviously we can't do right now? One of the questions we pose to the organisations that we work with, and the leaders that we work with, is that are you actually putting in place types of communication engagement exercises? Are you creating a vision that all of the people within your business can connect with, firstly, you as a leader, but also with the organisation as a whole? When things do pick up and things do start to get better, those people are the stable future of your organisation, not a group of people who've got out of you what they can and are looking for something better.

**PS** We're talking to Kieren Perkins who, of course, was one of Australia's greatest swimmers, but who's also big on the leadership and the corporate team circuit nowadays. Kieren, how do we individually, and as leaders, manage ourselves in challenging and changing times like the ones that we're in now?

**KP** Look, it's one of those things. It's hard to sort of sum up in a short interview, but I think what we really see, and if I could use the sporting analogy for a moment... You know, our athletes spend a lot of their life, their formative life, working hard, training, developing their skills and their abilities to be able to really hone their bodies to ultimately be able to give an exceptional performance. The reality is of course that their physicality, their technique, the experience they have, all of those things are just tools. It's the knowledge and it's the skill and the process that they have which gives them the potential to do something extraordinary. To actually do the extraordinary thing though requires mindset and it requires a level of motivation and self belief which allows them to draw out of themselves a great amount of resourcefulness and energy to deliver. And in a business context, that's something that we probably don't have to bring to a law stage very regularly, but it's important to be able to do it consistently over a long period of time. There's that belief that athletes have this innate thing that, you know, somebody like myself who achieved Olympic Gold must have just had some special ingredient that other people weren't born with, and what a lot of the research has shown us is that that's actually not the case.

**Kieren  
Perkins**

If you take your mind back to being a child, or if you have children, think about your kids when they're young. Every single one of us has the ability to be motivated and have an amazing amount of passion and self belief to do things, simply because no one's told us yet, you can't or basically beaten into us this idea that it's too hard, it's impossible. There's a raft of consequences which are going to slow us down and stop us from achieving what we need to achieve. So the real challenge is being able to tap into that. Tap into that intrinsic belief that if I try, if I work hard, if I learn from my mistakes, if I build strategies for coping and stay focused on the task at hand, then I can actually achieve extraordinary things. I can learn new things and I can continue to push myself.

**PS** Kieren, I remember reading something that Chris Evert wrote, and of course Evert had a 91% success rate in single professional tennis, which is an extraordinary performance, and she said that sometimes she wanted to win so badly she could actually will it to happen. And is that what people need to do, be a little bit more focused on actually trying harder than they've ever, and concentrate on what they need to do to win, rather than just being a little bit too casual about it?

**KP** That's certainly a part of it, and I think we see it in all people who achieve extraordinary things, and this is by no means limited to sport. You know, those people just have a level of dedication and effort and focus that goes beyond the norm, and again the average person looks at that and thinks, wow that's extraordinary, they've got something I don't have, and that's not the case. I think a big element of that is finding the real passion and value in what you're doing. You know, if you really value what it is that you're trying to achieve, then the opportunity for you to deliver a greater level of effort is increased dramatically. It's one of those things that you hear athletes talking about, that mental toughness, that resilience that they're able to develop, and this is a process that they build and experience, and a tool that they build up over many years.

**Kieren  
Perkins**

The thing that I sort of caution people with is that what you need to recognise about somebody, like myself, for instance, who was an Olympic Athlete that had a one in four year opportunity to perform, and that may seem like you're reaching for Everest and that's your big hairy goal, that's all you focus on and work on for years and years and years... The reality is that all of us need to have little things along the way that mean something to us and can provide a real focus on the process. If we can approach every single day with a level of energy that allows us to deliver a great result, day in and day out, you'll just wake up one morning and an exceptional performance will have occurred and it becomes then something that you can repeat. You know, if you look at those people who achieve one of extraordinary success, more often than not they're driven by the fear of failure, or they're driven by expectation that others are heaping onto them, and it becomes such a difficult traumatic and mentally stretching process that when they get out the other side of it the concept of possibly trying to do it all again is just so overwhelming that they can't. So, you know, the first time was tough, the second time was really tough, and the third time was just damn impossible, and it only got harder from there. If we can bring it back from that outcome focus, and really have more of a process initiative, you know, the results don't seem to be so overwhelming in the end and often sneak up on you.

**PS** Kieren Perkins thanks for the great advice and thanks for joining us on *Talking Business*.

**KP** It's a pleasure Peter. Thanks for your time.

## Dr Ben McNeil

is a senior research fellow at the Climate Change Research Centre at the University of NSW. He illustrates the immense economic opportunities which will open up if Australia leads the new clean industrial revolution. He shows how investing, commercialising and exporting the new fuels, materials and technologies for the twenty first century will boost economic prosperity as well as environmental sustainability.

[www.ccrcc.unsw.edu.au](http://www.ccrcc.unsw.edu.au)

**PS** Ben McNeil, the author of *The Clean Industrial Revolution*, believes Australia has before it an opportunity too good to miss. The future is green, and the businesses that are making crossroads in this industry are the ones that will thrive. Ben has presented his research to the Prime Minister and Cabinet, and was chosen as an expert reviewer for the United Nations Intergovernmental panel on climate change.

Welcome to *Talking Business* Ben.

**BM** Thanks for having me.

**PS** What's your background mate?

**BM** My background is actually in the scientific area, but over the last five years I've moved from the diagnosis of the problem, this is climate change and other environmental problems, to every problem into the cure. The cure is economics and it's policy, so this is where this book really is focused because the debate around climate change has really been focused around polar bears and rainforests, but as we know there's huge emerging trends happening in the global energy economy, and Australia really has to take a lead in these emerging trends or will be left behind.

**PS** Okay, so are you an academic scientist? Are you an applied scientist who's worked in certain areas? Because people on the plane would say, *who is this guy? Can we trust him?*

**BM** Okay, I'm an academic, so I do research and I teach at the University of New South Wales.

**PS** Great university.

**BM** Okay. [laughter]

**PS** That's where I taught.

**BM** Oh really? Fantastic. So my bread and butter is really looking at the climate change impact, particularly from an oceanic perspective, so in area region. In any research it's

**Dr Ben  
McNeil**

quite specific, but this book in particular is a broad scale synthesis and demonstration beyond the science.

**PS** Believe it or not, there could be some cynics on the plane saying, but *it's bad science*. Now what's your response when you hear people telling you it's bad science?

**BM** It's funny, in the media we view the debate as 50/50, but the debate within the climate scientific community is not 50/50 at all, there *aren't* any sceptics within the climate science community. Let me repeat that, there aren't any. If there was a sceptic they'd be the greatest scientist of all time. For example, if I really wanted to get out there and get my name associated with table room talk, then I would be publishing stuff on saying, *look this science is not right*, in the scientific process that is. It's not out there, the only views that are out there are opinions, the only views that seem to be getting oxygen are some who have a very sceptical and cynic view that somehow this is a grand conspiracy within the climate science community, to dupe the world, which is not true.

**PS** So the scientists who are getting the column inches in *The New York Times*, *The Wall Street Journal*, are scientists but they're not climate change scientists?

**BM** That's true, so if you look at *The New York Times*, there was an ad a few weeks ago with thousands of signatures on them, and those signatures, 99.9% of them were either economists or geologists. These types of professions don't really have the expertise to understand the intricacies of the climate change system, internal climate change and how that'll affect the earth. Now, it's a complex system, it's just another field of science, whether it's medical science or climate science, and the thing I've heard most in terms of the community and how they're sceptical, well you're just beating us to get research funds, that's essentially the main angle on this and that's absurd. If I was wanting to get more research funds for my physical science research, I'd be promoting uncertainty because then the governments could allocate that and say, *oh we need to study this more*



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McNeil**

*and we'll give the physical scientist more money. Actually, the physical scientists are saying we need to solve this, it's actually where we need to go. So this whole notion that somehow there's this conspiracy and there's debate within the climate science community is completely false.*

**PS** We're talking to Ben McNeil, the author of the book *The Clean Industrial Revolution*. So let's just focus on the business side of it. From my point of view it just seems to me whether the science is right or wrong, because I've also written a brilliant book called *Carbon Crunch*, but I won't talk about that, I'll talk about your book...

**BM** Okay, I need to read that! [laughter]

**PS** And the reason I'm interested in it, being a business writer, that I just think that's where economies are going, that's where markets are going. Are you seeing the same thing, that consumers want us to go for a clean alternative to what we're doing now?

**BM** Absolutely. What we've done in the past century is we've linked our prosperity, economic prosperity, with coal and oil and fossil fuel resources. Now the future is not that pathway, oil is fine, we know that anyway, and carbon, there's high risks imposed from climate change, so what we're moving towards is a clean industrial revolution. That is the new materials, the fuels, the planes, the cars of the future, which are low carbon, lean and efficient. That's the new technological revolution within this century. Now, a report just came out last week actually, the United Nations, they've got a finance program, and they found that in 2008, they invested \$155 billion in renewables and clean technology, whereas coal and gas was less at \$110 billion. That is for the first time in 2008 we've seen renewable technologies beat the old traditional fossil fuels investment globally, so the shift is happening around the world and Australia needs to lead this because it's in our best economic interest.

**PS** Now, Ben, it seems to me when people argue with me over this issue, I just say, *look, when the whole world gets*

**Dr Ben  
McNeil**

*on board and the collective impact of all this lateral thinking by all the smart people in the world, the kind of solutions we'll come up with I think it will actually turn around a lot of the problems we've created.*

**BM** I totally agree. So the thing is, in the book I talk about the notion of creating accidental environmentalist, something like Gordon Gekko on *Wall Street*. Now, they may not really care about the environment or may not care about the future, but we need to get to a point where the Gordon Gekkos are investing in these clean technologies.

**PS** The George Soros becomes an environmental warrior, we're laughing.

**BM** So we have to get to that point. Now the point is how do we get there? We have to impose a value in carbon or a carbon price within the economy, and once we do that we'll see huge private investment shifts, as we've seen it globally, not particularly in Australia as much, but globally we've seen this big shift into clean tech. And, as you say, clean tech has enormous opportunities from an economic point of view, and that's what I'm trying to put out with this book, that there's huge opportunities for us to shift to a low carbon economy.

**PS** Well I saw a movie on the Qantas plane coming from Cairns yesterday, and in the movie they were bagging some woman because she was really a green kind of person, and she was accused of driving a Prius. Now Toyota is getting enormous advertising benefit from being in that space, Lexus is the same, and other companies are just going to get on board aren't they?

**BM** Well, take the example of the car makers, and it's a fascinating example of American car makers versus Japanese car makers. In 1990 oil prices were really low, they were 20 bucks a barrel. The GM and the Fords of the world, they said, *look, environmental emissions legislation is going to hurt the industry, it's going to devastate us.* So weak politicians in the US said, no we're not going to do that, we're not going to do that. In Japan they did the

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**Dr Ben  
McNeil**

opposite, they said, *look we need to massively upscale research and development of these clean new cars of the future, we can see oil is finite, this is where it's going to go.* So since then, well we saw in the year 2000 with the millennium, oil prices went sky rocketing, it's going to continue that way as we emerge out of the recession, and Toyota and Honda have really outperformed the General Motors and the Fords of the world because they've developed more efficient vehicles. It's not just hybrids, even their standard lines, their standard cars, work 20% more fuel efficient, so this notion that doing good for the environment, bad for the economy is not right. In a world that's moving towards low carbon it's those companies and businesses and nations which position themselves as low carbon leaders are going to prosper economically.

**PS** Ben, we're out of time, I could talk to you all day. The name of the book is *The Clean Industrial Revolution*. Thanks for joining us on *Talking Business*.

**BM** Thanks so much for having me.

## Jeremy G. Duffield

is the Managing Director of Vanguard Investments Asia Pacific, and Chairman of Vanguard Investments Australia. Jeremy is going to reveal the lessons learned from the global financial crisis.

**PS** If there is one useful thing that can come out of the global financial crisis, it's the important lesson it has taught us for the future. Jeremy G. Duffield, Managing Director of Vanguard Asia Pacific, and Chairman of Vanguard Investment Australia, is here to discuss what we've learnt, as well as the importance of focusing on the long-term.

Welcome to *Talking Business* Jeremy.

**JD** Thank you Peter.

**PS** What's your background, mate?

**JD** Look, I've been with Vanguard for about 30 years now. I went over to the US for my university career in 1974, and ended up working with Vanguard from 1980, so it's been a great ride for me. The company started with about \$2 billion in assets, and we now have over a trillion dollars in assets for investors worldwide.

**PS** Tell us about the founder and his philosophy, because I think that's pretty important about the whole Vanguard story isn't it?

**JD** Well that was really the key turning point in my career. I got the opportunity to work with John Bogle, the Founder of Vanguard, and he's a bit of a legend in the US investment markets for preaching commonsense, low cost investing. He's a really terrific guy who's now been in the business about 58 years, still dedicated to working with investors to help them invest better.

**PS** And you guys must have just jumped for joy the day Warren Buffet just said most people should just go for an index fund rather than using a financial planner? [laughter]

**JD** [laughter] You're absolutely right Peter. The index funds sort to be the core of most people's investment program. That's not to say they shouldn't use a financial planner to help them do it because many people need investment advice.

**PS** And the thing is this, some people think financial planners are there to pick winners on the market, when

**Jeremy G.  
Duffield**

really the value of a financial planner is making sure you've got a diversified portfolio. You look at your goals, you might want to pay off your home quickly, well they can help you there if they want to build your super up, that's their job really isn't it, rather than picking the stock market wrong?

**JD** Exactly right, they've got to help you with the basic questions of setting your long-term goals, getting your superannuation and your tax situation right. Then after that it's about diversification and getting your assets allocation right. So it can be very helpful getting you the peace of mind you need in a crisis like the global financial crisis.

**PS** Well let's go to that. What do you think are the big lessons for people who saw their portfolios for anything up to 50% of their superfunds falling by 15/20%?

**JD** Well, you know, I think it has been an expensive lesson for all of us, but we've got to get the most value out of it we can, and I think there are plenty of lessons to take from it. It was the worst financial crisis in my life time, and most people listening, their life time, and hopefully we won't see anything quite so bad again. You know, with the US and Australian markets down over 50% at their lows, it's been a painful period, but I think the key lessons are about the importance of the fundamentals, the basic commonsense investing, which starts with diversification, a sensible balance asset allocation, and a long-term focus that helps you deal with the risk.

**PS** I know I had an email from a regular reader of one of my columns, and he said he had seven stocks of the best companies in Australia, he had a million dollars invested, he was retired and he never thought he'd have to worry about money again, and his portfolio went from a million dollars down to \$300,000 in the space of six months. Now, clearly he should have had a more diversified portfolio?

**JD** Certainly, seven stocks isn't enough to create a balance or diversified stock portfolio, and then the really important point is that most of our investors need a mix of shares, high

**Jeremy G.  
Duffield**

quality bonds, cash and real estate to get a truly diversified portfolio. Then investing in Australia isn't enough either, you've got to go into international shares because our market here in Australia is pretty concentrated.

**PS** We're talking to Jeremy G. Duffield from Vanguard Investments. Now that's an interesting point because you guys have a fantastic graph, I think you call it the Volatility Chart, and you show what happened to \$10,000 invested in 1978. What happened to it? The first time I saw it was before the market really crashed and I think we were up near about \$520,000, so \$10,000 rolled over in an index fund, basically with all your dividends reinvested, could have got over half a million dollars. But even when I talk to your colleague Robin Balmain on my television program, *Money Makers*, he said it only dropped down to about \$420,000, or something like that. So, ten grand had at least become \$400,000, even taking in effect this collapse. I guess the point is, is this the advice you like to give people to get involved in a broadly based set of shares and see that money roll over 20/30 years?

**JD** Exactly, focus on the long-term. Common stocks really are the best place to be for the long run, and most of us really have longer term horizons than we anticipate, we think about. You know, we're focused on what happens day to day, month to month, but what really matters is what happens five, 10, 20 years from now. Even if we're 60 years old, we might have a 20 year time horizon for investing, so common stocks, despite their volatility, despite their short term risk, should still play an important part in long-term portfolios.

**PS** Because your index fund, the one I'm thinking about, has 300 stocks in the country right now, if you held that, what kind of return would you expect to get on a 20 year basis?

**JD** Well, if you look at history, you'd have to say that you should expect something around 10 %, and if you look at where that would come from...

**PS** Does it include dividends as well as capital gains?

**Jeremy G.  
Duffield**

**JD** Includes the total return calculation, so you might think that as comprised of maybe 5% in dividend because the yield on Australian shares is now about 5%, and the other 5% in capital growth over time, that's not an unreasonable long-term expectation.

**PS** And I guess when we start putting that with the tax effectiveness of super, someone should really be putting an index fund inside a super fund and just let it roll. By the way it's no advice for any listeners on the plane, I don't know personal circumstances so this is not advice, this is just brilliant personal investment education.

**JD** The government really does favour common stock investing by giving you discounts for capital gains, giving you franking credits for dividends for Australian companies. So there's really a preference in the tax system for growth oriented investment, such as stocks, and also real estate.

**PS** Okay, this has been a free kick to you so far Jeremy, but let me actually put it on you now. America's stock market didn't do very well so Vanguard's performance in America wasn't that great because the stock market had a shocker – the tech-wreck, and of course the most recent collapse. Do you think our market could go through a period where for 10 years there's not great returns?

**JD** I think it could do that. I think the advantage we have right now is that we have such generous stock dividend deals. You start with 5%, it's pretty hard to image you're going to get a 0% return over the next 10 years, as it's been in the case in the US over 10 years. The US has truly gone through a shocking period. But I wouldn't give up on the US either, it is the sort of engine of economic growth in the world, most advanced capitalist economy in the world, and America has a fantastic ability to recover and to find its competitive feet, so don't count out the US.

**PS** And I guess that's the reason why you say, don't be exposed only to one market. So the American's who are exposed only to America had a shocker, even in a very safe

**Jeremy G.  
Duffield**

kind of investment like Vanguard, but if they diversified into emerging economies in Australia, they would have done very well.

**JD** That's right. There's no reason to only invest in your home market. The US is only less than 50% of the world's stock market, European economies, emerging markets, obviously China are on the horizon, the Australian market, they all play a part in your portfolio. You want a diversified and balanced portfolio.

**PS** Last thing. You guys are historically cheaper than a lot of other fund managers. What are, sort of, the benchmark fees people should be thinking about when comparing you against an actively managed fund?

**JD** Well we think our fees are a really important part of the investment equation. John Bogle use to say that the three sides of the investment triangle, Risk, Return and Fees, the only thing you know anything about in advance is fees, so you might as well minimise them, and so our fees of index funds probably give you cost savings of 1% or more, relative to actively managed funds. And that isn't just the management fees. It's also the same as you get by the lower turnover approach of an index fund resulting in lower brokerage costs and lower tax impacts.

**PS** Jeremy, thanks for joining us on *Talking Business*.

**JD** It's a great pleasure Peter.



## Brian Agnew

is the Chairman of the award winning Audrey Wilkinson Vineyard, and joins us on *Talking Business* to reveal the secret to his many successful ventures.

[www.audreywilkinson.com.au](http://www.audreywilkinson.com.au)

**PS** Following a successful career in law, which included founding his own law firm when he was just 24 years old, Brian Agnew decided to change jobs and enter the wine industry. He acquired the historic Audrey Wilkinson Vineyard from James Fairfax in 2003, and this year saw the first drop made since Audrey made his last vintage, nearly 60 years ago.

Welcome to *Talking Business* Brian.

**BA** Thank you.

**PS** Now, if I remember rightly, it also was an award winning wine because I was actually MCing the New South Wales wine show when you won it.

**BA** That's exactly right. That was a fun night, and a very exciting night for us to win *The New South Wales Wine of the Year*, and it's sounded out in a number of ways commercially for us too.

**PS** So, it was a Semillon if I remember rightly?

**BA** That's correct, 2006 Semillon.

**PS** Yeah, okay. Now I actually passed it onto a wine buff of mine who hadn't tasted Audrey Wilkinson for a long time, and he was a little bit laughing, *oh I remember Audrey Wilkinson in the old days*. He tasted it and said, gee that's a good drop! It really converted him. So tell us the history of Audrey Wilkinson before we have a crack at your history?

**BA** Well, Audrey Wilkinson was established by the Wilkinson family back in 1866. They were an interesting family, they'd come out from England, they'd tried it twice over here, down in Victoria and Tasmania. Went back, two of the brothers learnt how to make wine in Germany and in France, then came back again and they were one of the first pioneers up at the Hunter Valley. They picked a beautiful site and away they went. The father, who had been in the British army in India and was a missionary, he died when he was only in his 40s, and so Audrey Wilkinson took over.

**Brian  
Agnew**

**PS** Audrey was a man or a woman?

**BA** Audrey was a man, and that's a source of some marketing for us in the future, but Audrey was a man and about age 15. He, head of the family, took over the running of the vineyard and he and his brother, through a lot of hard work, blood, sweat and tears, cleared the land and went on... They were exporting wine to England at the turn of the century, 1910. They won all sorts of trophies, and he's historically quite an important man because his diaries are in the Mitchell Library in Sydney, and was one of the pioneers of the Australian wine industry.

**PS** So how long did the Fairfax's have it before you took over?

**BA** I think he had it for about six or eight years. James Fairfax decided to go into the industry and bought several places, spent a lot of money on this property. Sixty percent of the property was vines taken out, sow new vines. So we've got our old stuff with the new stuff and so I inherited a Rolls Royce I thought.

**PS** And it looks as though it's producing the right product as well. Why don't you tell us about your history because you were in the law, what was the name of the firm?

**BA** Moray and Agnew.

**PS** Okay, and it still goes doesn't it?

**BA** Oh yeah, yeah. I took it over from Mr Moray. It was very run down at that time. I started off with myself and two girls, and that was 40 years ago and working six-seven days a week. I built it up and it's now in the top 15 firms in Australia. We have offices in Brisbane, Melbourne, Canberra, Newcastle, and Sydney, of course, and that was a very exciting ride for me. I practiced law during probably the golden era for Australia practicing law, where it was a smaller group of people and we played hard, partied hard as well. It's now become a different animal, the legal profession, these days, but at the end of 40 years I wasn't practising law, I was really administering a multi-office legal practise.

**Brian  
Agnew**

**PS** We're talking to Brian Agnew who, among other things, owns a great vineyard called Audrey Wilkinson Vineyard. Your decision to go into wine making, clearly you want to make a success out of this. What was the thinking behind that?

**BA** Well, I was in the process of winding down my legal interest. I said to the boys I'd had my head in the scrum long enough and I wanted to go out and smell the roses.

**PS** Play on the wing. [laughter]

**BA** [laughter] Play on the wing, and I had interests up in the Hunter so I've been driving through there for some time. I really have been admiring the Australian wine industry, if not the most successful industry for Australia in the last 50 years, certainly the most successful primary industry. When I was a student you'd drive up to the Hunter and you buy some wine and put it in the back of your car and go home, so the whole thing sort of fixed. This property came on the market, I went up and had a look at it and fell in love with the site, it's a magnificent site. People were starting to get out of the industry, and you know the old adage, *the time to plant tomatoes is when everybody else is pulling them out*, so that was another prompter. Also members of the family are interested in the industry as well.

**PS** So what's the vision for the company? How big do you want to get with this?

**BA** I have a vision for the next five to six years to build up to about a 50,000 case per annum winery. We're doing about 20,000 now. That means we're boutique, we've got size, I've got the ability to get some economies of scale, it justifies my own winemaking, we've just put a state of the art winery in. We've got a place down there, one of the hot young winemakers up in the valley and to do that means I've got control over it, I can make sure the quality's there. I think what we're doing is fitting in with what the market seems to be saying, both here and around the world, that there's criticism of Australia turning out a sort of homogenous wine, and so if you can get back into this boutique type, you can make a commercial success of the game.

**Brian  
Agnew**

**PS** So you've taken a punt in law and you've won, you've taken a punt in the wine industry and you're on a winner at the moment. You also took a punt on horses once and won a Melbourne Cup?

**BA** Yeah, well I got into horse breeding as well and we had a stud up at Scone. I truly immersed in the industry, I headed up all sorts of things there, but we bred some very good horses including the wonderful Sub Zero who won the Melbourne Cup for us.

**PS** And you don't imagine putting out a wine called Sub Zero one of these days, or the label would have been taken I guess? [laughter]

**BA** There is a label out there, Sub Zero, but no. I think they're two discrete enterprises and I can't tell you the joy having breed that horse and watching the Melbourne Cup, and seeing him down at Flemington. He's clerk of the course and they take him off to schools and they've taught him to bow. He's a beautiful looking animal.

**PS** One last question. People on the plane listening can see that you've had an entrepreneurial go and you've kicked some goals. What do you think is at the core of your success, mate?

**BA** I think I'm very disciplined and I have some very basic philosophies. I always say to people, let's secure the beachhead before going in, people rush to it. Just because we've started well with this wine industry, I'm not reining the people back a bit, because we've really got to consolidate, and we did the same with law. I used to knock back clients when I didn't have enough staff that I thought were capable to handle the work, and that never hurt us, that really holds you instead, because when you say you can do it, you do it. The discipline of it, I have I suppose, without wanting to sound too confident, I have an ability to pick a good team, I think that's critical. It doesn't come overnight, but if you want to make a success in business you've got to get a really good team that will sing off the same hymn sheet, that the

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**Brian  
Agnew**

people have certain strengths and weakness and you blend them together. It's the old bit, one plus one can either equal two, or it can equal 11, and a good team will always get you an 11 result.

**PS** Brian, thanks for joining us on *Talking Business*.

**BA** Thank you.