

## SECRETS & SUCCESS: YOUR FUTURE DIRECTION

Glen Norris: Hello, Facebook live, I'm Glen Norris from the Courier Mail and welcome. Tonight we're talking about the essentials of business. We have a great panel tonight to talk about these issues. Feel free to listen in or come back to the broadcast as we progress during the night. I might just do a little bit of homework and just discuss what we're going to talk about first. We'll be looking at how business grows in the first instance, then looking at corporate governance, and finally exit plans and succession planning.

So without further ado, I'd like to introduce each of our panellists, and we'll start with Rajeev.

Rajeev Ramankutty: Hi good evening. Happy to be here, thanks for the invite. I'm General Manager of Sunstate Cement. Sunstate Cement has been around for about 36 years, so this is our 36th year in operation. We service mainly the Southeast Queensland and Northern New South Wales market. Cement has had a very long history. It has been around for close to 200 years, and one of the interesting facts around cement is that concrete which uses cement as one of the main ingredients, it is the second largest, second most consumed quantity material on Earth after water.

Glen Norris: Amazing.

Rajeev Ramankutty: Yeah, it is, it is quite an amazing fact. People usually do confuse between cement and concrete but we are the most engineered raw material concrete and concrete is one of the most used materials on Earth. So it's a great privilege to be here and I hope during the evening I'll be able to talk a little bit more about Sunstate Cement and what we bring to Southeast Queensland and building Southeast Queensland. So if you were crossing the river on the Gateway Bridge, or on the Pacific Motorway, or CLEM7 tunnel, it's got Sunstate Cement in it.

Glen Norris: It's all Sunstate Cement.

Rajeev Ramankutty: It's all Sunstate Cement and even around the corner here, some of the high risers here, Riparian Plaza, again has got our material in it.

Glen Norris: Maybe this floor we're standing on.

Rajeev Ramankutty: Probably, probably. I have to check that. So you know it's an essential building material, it's a very old building material, it's essential to nation building. We play a critical part in that. Great to be here.

Glen Norris: Thank you. Dennis, can you give an introduction of what you do at BDO?

Dennis Lin: Sure. Thank you, Glen. Thank you for the invitation as well to be on the panel. I'm a Strategic Adviser in M&A and China. So that effectively means I work with many entrepreneurs and it's a very exciting space for me. Entrepreneurs that are looking and striving to go from say 0 to 1 and then from 1 to 10 and then from 10 to 100. So people that experience all the highs and lows of growth and at the same time, all the things that they need to think about, all the

emotional roller coasters, the governance you need to think about on the way, the working capital constraints and also tonight's topic, "when do I and should I ever look at exiting or introducing new partners?"

Glen Norris: Thanks Dennis. Jack, Jack Steggall you've got a fascinating business in the food nutrition area.

Jack Steggall: Yes. We have a nutritional food formulating business. I started the business with my wife, Linda, 26 years ago. We remain as the two directors and shareholders of the business. It mainly involves formulating, blending, and repacking dry food ingredients supplied into the complementary healthcare market. These products are made in sashes, jars or pouches. So prior to products they sell to the retail sector, so you have pharmacies and major supermarket outlets under their own brand. So the business is essentially, formulating, blending, repacking. We carry a lot of inventory, and put a big emphasis on the formulating power of the business which is how we differentiate it - premixes that meet our customers' requirements.

Glen Norris: Great. Thanks, Jack. Now business is all about opportunities and finding a gap in the market or market opportunity. Raj, Sunstate Cement was founded about more than 30 years ago, and people old enough to remember that era it was obviously hardly controversial but Raj you were telling me before that it wasn't easy to get into the market during that time and Sunstate Cement had difficulties originally. Would you like to sort of give me a rundown of what happened?

Rajeev Ramankutty: Yeah. It's quite a remarkable story, way back in the early 80s. At the time it was a monopoly here in Queensland and one of our current shareholders had the idea that Queensland might be an exciting market to be in, so they tried to get a foothold. And in those days, the Port of Brisbane was owned by the government and the government wouldn't allow them to find a foothold on the port area.

Glen Norris: Is that right?

Rajeev Ramankutty: So the very enterprising gentleman at the time he actually got a leasehold on one of the container terminals on the river. He decided to join together a number of containers to increase the capacity and he got a 4000-ton ship of cement pumped into these containers. Then he decoupled those containers and put it in the market, that is why they overcame that hurdle. And once that was broken, it then became very clear that those kind of hurdles won't stand in the way of entrepreneurial approach, and that is how Sunstate Cement was born all those years ago.

Glen Norris: Oh, that's a great, great story.

Rajeev Ramankutty: And then once that was broken, it was then ... we were invited to come and set up a facility on the site we are in, on the Fisherman's island.

Glen Norris: Yeah. It's a great story.

Rajeev Ramankutty: Yeah, it's a great story and then from there, we started building up the capacity. So started off very modestly with half a million tons and five years

down the track in the early 90s it went up to a million tons, and the 2010 we went up to one and a half million tons which is our current capacity. Yeah, so it's been a great journey along the way.

Glen Norris: That's great. And Jack so with you, you started the business in 1992, I believe.

Jack Steggall: Yes.

Glen Norris: You were in the food industry? You saw a gap in the market? Or you just wanted to start your own business? Or how did it all come about?

Jack Steggall: Yeah. I think the main driver for us was that I did want to have my own business. And I was fortunate at the time that the company that I worked for in Sydney was going through a divestment process and some products were ... they were trying to get rid of and my role as a marketing manager then was to find a home for some of these products. I just found that it was difficult to find anybody else to take them on so I was able to strike an arrangement with the management to set up my own little business in Queensland, manufacturing those products that they were divesting out of. So that was the genesis story of our business.

I always had an interest in the nutritional space. We thought back then that there was an opportunity to move into the healthcare area. In our early days we did a lot of footwork around hospitals and nursing homes, age care centres trying to supply nutritional premixes into that market but being a small business and up against some of the heavyweights, it was a hard slog and we just did not make a lot of inroads.

So the break for us was when we started doing some work for what is now Sanofi, and they were looking for products for the complementary healthcare markets. So engaged in similar sort of skills that we had, but supplying into a different market, much higher volumes, to supply into pharmacies that offered shops all around Australia. So that was big break for us when we started doing business with them. That's how we started.

Glen Norris: Great, great story. Dennis, you advise business on a daily basis ...what's the biggest hurdle when businesses are starting off and growing initially that you find?

Dennis Lin: Yeah. I think, talking about from that 0 to 1 for example, one of the recent business that I've had the fortune of working with is a company called Bubs Australia. Which is now a listed company of which I Chair. The market capitalisation of the company today is around 320 million but I remember when I started working with the founders, the value of that business was less than 5 million less than 3 years ago, but at the same time it was a business that was founded on real belief.

Glen Norris: What does Bubs Australia do? Are they into the infant wear or?

Dennis Lin: So Bubs Australia is a company that started by Kristy Carr and Anthony Gualdi. Kristy at the time had children and she couldn't find baby food that she wanted that were commercially available in the market and decided to start making her own food on the kitchen bench. Then from there ... sort of was the genesis

of the business idea, of starting or getting baby pouch food and so Bubs was the first organic baby pouch food.

It was the genuine belief that built the brand and built the integrity and honesty and the underlying values of the brand. Later on she introduced some partners and she then launched, Goat infant formula, which is a gap in the market and one of the highest growth categories. So if you ... like for a business starting out, hard work, perseverance, resilience, I think they are all essential criteria. The key there is, are you able to maintain that particular belief and understand that sometimes things take time and the patience? And I think, it was great to hear Jack's story that having the patience, luck comes through.

Glen Norris: Yeah, that's right. Yeah. Hard work makes luck and vice versa. Yeah. Both you gentlemen are in manufacturing, manufacturing is always doing it tough. In Australia, we always hear about power prices. Is that a big issue for you guys? Power prices that's sort of surged in the last few years, Rajeev, would you ...

Rajeev Ramankutty: Yeah, for us power is a big input cost. It's a big part of our cost of goods sold if you like. So in the last three years, the power cost has virtually doubled. So that's quite a big concern for us to be competitive in the market so we actively manage the procurement of power.

We ... there are various models available, we try sometimes, we hedge, sometimes we downed, sometimes we go to spot market. We have to work with some experts in the area to advise us what the future looks like. So on top of all the uncertainty about the energy policy from the political side, there is also all the environmental factors that affect power prices, whatever the case may be so they all weigh very heavily on the future pricing of power.

So we typically look at a two-year window and try to procure a power for that time in the best advantageous mode available to us during that period. So it's a major consideration for us and we actually model our operations around that, so given the overcapacity in our sector we actually do ensure we run our power-hungry equipment during the lower tariff hours.

Glen Norris: Which is during the night?

Rajeev Ramankutty: Which is currently during the night, so we typically try to run from around 6 o'clock in the evening to about 7 o'clock in the morning. That changes a bit from quarter to quarter but currently that's what we try to do so because of the overcapacity we're able to do that, but sometimes we have to run through the peak hours and that's just a fact of life. So yeah, it is a big driver for us.

Glen Norris: Jack, what's a big issue for you in the food production or nutritional space.

Jack Steggall: Well, certainly not power. That has gone up, as Rajeev said in the last few years but it's not a significant cost to us given the nature of our business. Yeah, our biggest cost is the workforce, is labour. That's where we, that's our biggest overhead. That's managed well and we do fight for some of that area we consider to be important.

We put a lot of money into training our staff, and we believe that if you do that you get a better output from your staff. So being our biggest overhead expense, we see that as being very important. We engage the IML, Institute of Managers and Leaders, quite a lot, put our staff through training programs there to ensure that they are well equipped to do the job that they have to do.

So unlike Rajeev's business, ours is not so capital intensive. We do have some pieces of equipment that do use up a fair bit of power and cost a fair bit of the money but it's not the main driver in our business. It's more around the people.

Glen Norris: So moving onto Corporate Governance, current world commission into the banks and various other inquiries is showing five years of corporate governance at the top end of town. Corporate governance is obviously a big issue for business as well, as the small or large and especially with more regulation, more oversight health and safety financial regulation, human resources. How do businesses cope with that and how do they organise their corporate governance? Rajeev, beginning with you.

Rajeev Ramankutty: Yeah, so my view on copper-nickel ... corporate governance is very simple. So as an executive of the business, I am tasked with running the business. So where the board comes in, is to ensure that I run the business properly. So they give the oversight to ensure that the business is run properly.

Now properly means, obeying the laws of the land, being accountable, being transparent and looking after the stakeholder interest. They are the four key ... main areas. So around that, I mean, our board is very simple, structured, not very complex with a lot of subcommittees. We have four directors representing the two shareholders and they are ... they bring different skillsets to the table which is a great advantage to us, so there are people with slightly different experience and expertise on the board table and they are able to bring insights that we may not have at Sunstate Cement which will enable you to look at best practices elsewhere. So that's a key component of that as well.

And I think, a lot of the times where the boards could go in two wrong directions, one is not being sufficiently involved in the business or being too involved in the business. So the boards have to know enough about the business when something is not quite right in the business. They can ask the right questions and they can get the right answers.

Glen Norris: So it's a balancing actually, isn't it?

Rajeev Ramankutty: It is a very balancing act. So the board of directors cannot be managers of the business but they need to know enough about the industry they are in, to ask intelligent questions and to know when something is not quite right.

Glen Norris: Yes. So there wasn't enough oversight in some cases and the directors were probably not ... they took their eye off the ball basically. And is that, I mean, being a director, it's obviously a big responsibility. So what is the ... what is the most important stakeholder in a company? Is it the shareholders? Is it the employees? Is it the looking after the environment? Has that become more complex since you've been in business, Rajeev? or has it always been the case?

Rajeev Ramankutty: I think, my own experience has been perhaps I've been fortunate enough to be working with companies which thought that way. It's a balanced view that people need to take. At the end of the day, the shareholders who want the business, their interests are paramount but that doesn't mean that it is at the expense of the environment or safety or employees because for a business to be successful all those things have to be managed well.

You know, there is a cost to not managing safety well, there is a cost to not managing the environment well, there is a cost for not managing the people issues well. They all will affect the profitability of the business. So if the directors have that view, any business will look after the shareholders' interest at the same time as not sacrificing any of those. I have been fortunate enough to be working in a business which actually takes that view.

Glen Norris: Yeah, that's an excellent comment. Dennis, you're on the board of a listed company now?

Dennis Lin: Three, in fact.

Glen Norris: Three listed companies. So you would obviously have a birds-eye view of this issue.

Dennis Lin: I imagine so.

Glen Norris: Yes. We'll just get into the question. What is a paramount interest of the directors? Is it in the interest in the shareholders? or is it the other stakeholders? The employees? Has it been too focused on shareholders in the past?

Dennis Lin: Well it's certainly been the year of the corporate governance in Australia. With the royal commission but then also then with, let's say an alternative school of thought where they've actually said, "look, corporate governance is about, at the end of the day, effective business management," and I think with Australia that's what it comes down to in terms of the simple, you know, as Rajeev said, it's very important that the directors are there to act in the interest of all the stakeholders especially the shareholders.

From time to time, I think, some of the directors have wanted to make sure that they discharge their own directors' responsibilities and as a result it's become death by reporting for management. And I think that's, we want to make sure that it's effective corporate governance.

Glen Norris: With the banks, that wasn't really the case...sounds like they weren't taking an interest in what was going on in the company and things that have been obviously transpired by the world commission. They weren't taking interest... it wasn't really death by recording, was it? It was more negatives in some ways.

Dennis Lin: Well, Glen I think, this is where it becomes very interesting, in terms of, this is a very large organisation, as in the big banks are very large organisations, and without knowing all the detail, attending talk meetings in a year doesn't allow you to actually understand all the underlying detail of a particular bank.

So how do you then achieve effective corporate governance as a director on the board? Do you then naturally sort of swing the pendulum to say, "Well, I need to make sure I protect myself," but in doing so are the interests still aligned? And I think this is where it's very interesting where ... You know, coming back to when you're an entrepreneur and at first, you just need to manage your own business. You just run your own business but when the business gets bigger, you need some additional advice, you need some independent advice.

So then you might introduce an advisory board and then, later on, you might need some genuine independence because you now have other shareholders because you're now listed or you could be an unlisted public company or you could actually have several third-party shareholders, actually you need to actually introduce the board.

It's always difficult for a business owner to sell the business or sell part of the business and still not run it because, it's your baby and so, to then sort of get to that balance and medium of achieving that effective corporate governance is not easy ...

Glen Norris: I think we've seen that in the US with companies like Facebook and Elon Musk's ... they seem to grow at incredible pace. Obviously the problems with Facebook have sort of revealed some issues around how the businesses grow and issues around corporate governance, the way they are making out the customers.

Dennis Lin: And it's a what can I say is, it's not easy being a director of a company certainly not easy being a chair but it's a challenge that I ... for me it's very enjoyable because you still get to see a business grow and you get to work with very, very capable executives and you work on some really, really interesting companies but it is a very delicate balance. You know, one needs to make sure that you are being very effective as a board, and as Rajeev said, without being too involved.

Glen Norris: Yeah, it's a balancing act, yeah. Jack, you're a small company...you and your wife are director, I believe. How is the corporate governance area for you? It's obviously different from a listed company.

Jack Steggall: Yeah, and I would suggest it's easy, yeah. As only two shareholders as opposed to multiple shareholders...

Glen Norris: You have to keep the wife happy there.

Jack Steggall: There's no point arguing with the wife anyway. So yeah, that part of the job is easy so our focus is mainly on the customers, the suppliers, the employees and so we can put more emphasis on them and less emphasis on us, if we so choose, and that has pretty much the way we have conducted running our business over the 26 years.

We have returned a lot of money back into the business rather than taking it in dividends. We put enormous emphasis on those areas involving staff and other governance issues that make a better, safer place to work. So it hasn't been big challenge for us, but maybe last four or five years when we went through

something of a growth spurt, where we did have to tend and focus to that area, more attentively. Prior to that our mindset was sort of not so much in the governance area but we do realise today, now, that we had to focus on that fairly strongly but we haven't had to worry about shareholders much, I think that's made our job a lot easier. We have just been able to focus on the employees, the customer, setting everything up to comply with industry standards around that.

Glen Norris: And I suppose being in the food industry, the regulatory standards are very high and you have to have everything right in that regard.

Jack Steggall: Well, we did. There's various accreditation that we have to go through and the Department of Agriculture and resources. We have supplier and customer audits. So yeah, there's a fair bit going on in that space and were able to focus on that quite well with not worrying too much about external influences.

Glen Norris: Thanks, Jack.

Businesses always have to play in for the future whether that's growing into export markets, growing domestically, launching new products or even exiting the business through a sale or a takeover. Raj if you've ... I mean, you've got two big shareholders who've been with Sunstate Cement since the start, so it's more probable for you that it's about growing the business. Do you sort of plan ahead for how big you want to be or what market you want to get into? How has this sort of worked for you, sort of planning ahead?

Rajeev Ramankutty: I think it is ... it's a very interesting journey that Sunstate has had. I mean cement is a commodity, I mean, I hate to use the word commodity but cement is perceived as a commodity. So one of the challenges we have is to, how to change that perception? To ... you know, even if it is a commodity, it is interchangeable. Sunstate Cement is as good as any other cement so what we have tried to do there, is provide a value proposition for our customer where product is only one of the components of that, there are other things that come with, working, dealing with Sunstate.

So when a customer rings to place an order, to the time when that money is collected from that customer, there are a number of touch points for that customer. So for that entire journey, we like to have the customer to have a fantastic experience, and that's what makes us different we believe in the marketplace. We've done customer surveys to back that up. So once you know what you want to offer, then a lot of the questions you ask get answered. Now, obviously cement being a low-value product doesn't travel long distances, so the logistics costs then becomes the more ... and it's very difficult to export from Australia because the costs are very high.

So I'll give you an example, we're on the boat. I could actually toss the container from my side onto a passing ship literally but it costs me 60 bucks a ton to actually put a container on the water. That's the reality but we've in spite of that, we've actually managed to carve out some niche markets in the export area. So we export to New Zealand and a few other neighbouring companies like PNG, Vanuatu, etc and that's being very innovative and very agile in what we do when there is an opportunity out there.

We also in the last three years, we have launched some new products which is quite rare in our industry because as I said we've been around for 200 years. So it's not like the text base where you change very rapidly. So we've managed to do that and we provide a package where if a customer approaches and says they got a special application, it may not be big volumes but we always look at it as an opportunity. Let's look at it and we will try, and engineer our product to suit ...

Glen Norris: So, what's an example of that?

Rajeev Ramankutty: So we have launched a product called Ultrafine Cements, which are really significantly finer cements than the normal cements that you get. They're used in niche applications like tunnelling. When you actually go to some underground mines, you hit some fissures, and water comes out of it, and they need to stop that water to impede their activities. So this cement can actually pack very quickly to seal those. So it's still finding its feet in the market but that's an example of what we've done with special applications and all that.

Glen Norris: Well, we'll just talk about your growth and how the business is going. Obviously, there's a lot of construction going on in Queensland infrastructure. Are you benefiting from that, are sales going up in the recent year or recent years?

Rajeev Ramankutty: I think there's a correlation between, infrastructure activity and volume and business generated. So if you look at New South Wales and Victoria, there is a huge pipeline of infrastructure activity there in both those states. So in both those states, people in our sector are doing extremely well. Queensland is not yet there but if cross-level rail really does go ahead, full funded, goes ahead, Queens Wharf next year, the new parallel runway and the Brisbane airport, so there are a few things in the pipeline.

Glen Norris: Yeah, the runway would be a lot of concrete on.

Rajeev Ramankutty: Yes, yes. All those things will generate activity in our area and there needs to be a pipeline because ours is a very capital intensive industry. We cannot turn off and on and go through those cycles, big, big variations. So then it's a steady pipeline for us to keep servicing those jobs, but I'm sure they will come as these projects are coming into fruition.

Glen Norris: Thanks, Rajeev. We have a question from Daniel, Daniel Willis. It's to Dennis. He says, "You make a good point about setting up a board of advisers to companies. My question is - are there regulations set up that make companies appoint a day to day board of advisers to support the board that only sit for a minimum amount times throughout the year. Are there regulations around this?"

Dennis Lin: No. And thanks, Daniel. There's no regulation as such, in terms, of an advisory board is generally seen as a good business practice. When an own operator is growing his business, his or her business and want some independent advice ... and certainly sort of not just me but some of my colleagues throughout the firm have sort of been in that capacity, which is a slightly more involved wrung of being an advisory board member, and that simply means, a panel of advisers and you're there to actually support.

This is the company space, that is when the regularity of meetings is then returning to the constitution so it's not necessarily regulated by the regulator but it's a self-governing company document that effectively dictates how often each board member, the board should actually meet. And the regularity should really be dependent on, I guess, where the business is at and what they will support, the executives require so far as guidance is concerned from the board.

Glen Norris: So just getting back to growth and expansion question for you, Dennis. Special private companies sometimes owners, obviously retire and attracts a buyer, a bigger buyer of listed companies to buy the smaller operation. What are some of the issues around succession or exiting a business that you have experience with?

Dennis Lin: Yeah. I find this to be a very, very large topic, especially with the baby boomers and so forth because-

Glen Norris: What is it? A pitfall or dangers-?

Dennis Lin: For sure, for sure. I think this is where some independent advice can really, really help in terms of ... because this is an owner who has been in the business for a very long time. You have a natural affiliation and a natural attachment which is a 100% appreciated and understood. But the question is, "Do I actually pass it on whether it's someone who has been with me for a very long time?" It could also be a relative, naturally one of your offspring. "Do I introduce a strategic investor with a plan to autonomously exit or do I turn my shareholding into something more liquid by listing in the ASX, so I can actually decide later on by going public?"

There are some real, sort of factors to consider that are very, very specific too, I guess, each person but what I would certainly recommend is making sure that you start to think about those options way before you are doing it. So start to contemplate what those options may be because unfortunately, generally, the businesses that I've seen they are not ready to be sold on the day that they want to be sold. So then ...

Glen Norris: Be prepared?

Dennis Lin: There's generally a journey. Yeah, that's right, and what that basically mean is, every person enjoys having options and the more you prepare, the more options you're going to have. And also the more objective you will be in assessing what those options are and how feasible they may be.

Glen Norris: You're a small business, Jack, have you got an exit strategy? Your wife obviously wants to retire at some stage, have you thought about this issue?

Jack Steggall: Yeah, our accountant keeps reminding us about it. And yes, we have done something about it. So some time ago, about a year ago, we sat down with our accountant and he engaged an external consultant to start the process, and as was mentioned just previously, it is a fairly long process, a much longer process than what I thought it was.

It's more involved than selling a piece of real estate or selling a product. It does, there's a lot to it. So in our case, the accountant and external consultant

with the figures over previous five years projected out over the next four years drilling into our, mainly our profit and loss statement looking at sales of various profit, overhead costs, trying to work out what that would be over the next three or four years.

Yeah, quite a long report was produced and at the end of it, a valuation was to turn it on the business. So that gave us a starting point, at least a starting point to work from, in case anybody did come along and want to make us an offer. We don't really have any plans to exit but as what's repeatedly pointed out to us by our accountants, you need to get this in place now for later on. So we've got that process going and it will be reviewed every 12 months and updated as the figures change.

And yeah, like I don't think we're likely to list on the ASX. Probably the best outcome for us would be if a large company did come along and make us an offer, that would fit very well for us. A strategic offer from a larger firm would probably give us the best price so that's what we would be looking for. We're in no hurry to sell. We have restructured the business as a part of that process, we went it through with the accountant and the external consultant. I'm now not as involved as I was before. I've been sidelined to some extent, other senior managers in the organisation have been shuffled around so that the firm is not as dependent on me.

Glen Norris: So you could go for a holiday or something-

Jack Steggall: Yes. I can.

Glen Norris: In a week and the company would survive.

Jack Steggall: Yes, that's right. And we'll be testing that fairly shortly. I hope.

Glen Norris: Oh okay. That was a possible, Yes.

Jack Steggall: Either that or a lot of golf I'm not sure. Alternatively, the opportunity to do things in the business that I enjoy, like the business style, with styles and technical, that's my background. Along the way, it changed and it required skills that I don't have a lot of but now this now gives me an opportunity to go back and do what I enjoy doing. If I choose to keep staying in the business rather than going on holidays and playing golf. So there's a few options there.

Glen Norris: Sounds like Jack's got it sorted out. He's done his homework; he's got advisers and...

Dennis Lin: Good accountant. Has your interest at heart and I think that's important.

Glen Norris: So it sounds like Jack is doing everything right. But I think, Dennis, you were saying earlier, people leave it too late. What's the sort of worst ... sort of example you've seen of that?

Dennis Lin: Some of them are a bit traumatic to actually mention.

Glen Norris: Well, yeah. Just in general terms.

Dennis Lin: The general sort of medical accidents, they are the ones that you really don't want to face-

Glen Norris: Yeah, or sickness.

Dennis Lin: That's right sickness or sometimes the less traumatic are global events, that are outside your control. So while your industry may be hit by a particular factor whether its foreign currency, whether its regulatory changes ... all of these reduce your options.

So the planning is something that I think many owners and operators do not want to consider because they enjoy the business, they enjoy running the business to actually consider exiting. But I think well if you're going to get me to think about that then I might as well give you an astronomical example-

Glen Norris: Good luck, son.

Rajeev Ramankutty: I guess the other factor is if your plateaued in your growth that is not the point at which you want to sell because exiting the business because you actually want to give potential buyers some growth trajectory as well.

Dennis Lin: Yeah and that's right. And certainly I mean, I have similar to Jack, one of my most interested areas is in food and FMCG which is generally a very high growth area, especially in brands, especially if you're in boutique or you're in the independent space and the only defence is to attack.

The only defence is to continue to innovate, to continue to come up with new products, to continue to actually stay ahead of the curve. And you really need that DNA to be built into the organisation, what that means is it has to be beyond the owner. And to pass on a DNA from an owner to an organisation takes a long time.

Glen Norris: It's a very difficult. Yeah.

Dennis Lin: It takes a long, long time.

Glen Norris: It's like Apple when Steve Jobs died, obviously, it was a big enough company to keep that, as you say, DNA but it was lot of his personality. He created the brand, he created the products. So you have sort of seen businesses at where the owner has been so much part of the company that once that person has exited, have they struggled or even failed?

Dennis Lin: Unfortunately, too often. It's a ... and what I would say to certainly the business owners out there is, if that were to happen then you haven't built a good enough business. The very idea of building a good business is to ensure that you can actually take the various impacts including making yourself redundant.

Glen Norris: So it's all on corporate structure, I suppose, it continues on. We have another question for you, Dennis on that area. What is your biggest piece of advice to encourage businesses to make succession exit planning your priority?

Dennis Lin: My biggest advice?

Glen Norris: Yeah, your biggest piece of advice.

Dennis Lin: Well, I think, Jack said it quite well, in terms of, do speak to your accountant and I think before you got to bed at night, I think the best way to motivate yourself would be, "What if I don't wake up tomorrow?"

Glen Norris: Yeah, that's a cheery thought.

Dennis Lin: "What if I don't wake up tomorrow?" and just write down a list. Just write down a list and I think that could be just the impudence of the catalyst, one requires to say, "Maybe I do need to give this a bit more thought?"

Glen Norris: Yeah, good advice. Thanks for joining us on the Facebook live and the CCIQ and BDO Facebook live event. I'm Glen Norris from the Courier Mail and we're talking about business essentials. Exit plans, growing the business and corporate governance.

We've had a really good discussion tonight and it's really good expert advice from our panellist. I thought we'd just finish it off tonight by asking each one of them, sorry to put them on the spot, what's been their biggest or their hardest challenge in business over the years? Rajeev, you've been in business a long time. What's been the biggest challenge for you?

Rajeev Ramankutty: I think, for any business, I think, this is applicable that you need to get the people who subscribe to the vision and the culture that you're trying to build. Sometimes inherit the team and then to mould that culture and to get everyone aligned to that is the biggest challenge I've ever seen.

It is very possible, it is very rewarding when you get there, but that journey is often quite difficult. So you have to make some very tough decisions along the way, in terms of parting company with certain people or taking some very hard decisions about the way that business is going.

So once you get that culture established and the right people in the business it's much easier to drive the business in the way you want to.

Glen Norris: It must be hard to get that culture sometimes.

Rajeev Ramankutty: It is. It is and culture is very intangible. It's not something you can actually, you know, like play-doh, take it and mould it. It is something that is intangible but it is the life experience in the business. So it's the way you conduct, the way your leadership team conducts that's very important, that you actually show that visible leadership so that people can look at the culture and say, "That is the culture this organisation has."

And to get the people who genuinely subscribe to that is the most important thing because in our industry I could say, anyone with capital equipment could make cement, you know, and some expertise, can make cement but to make it in the way you want, to add value to it, the way you want, and to look after your customer the way you want-

Glen Norris: And as you were saying Sunstate's doing the value adding in the products and you're obviously seeing that in the culture ...

Rajeev Ramankutty: Very much and that's really our culture, I mean, even though we've got some big shareholders behind us, the feel of Sunstate is of a small family business and that's the way we deal with our people and our customers, and that is a unique blend of the support from the large corporates behind you to give you the resources' etc but then you're allowed to go and do your own thing. That's a fantastic mix and that's a great factor behind the success of Sunstate. I would say.

Glen Norris: Thanks, man. Dennis, what's been the most difficult challenge for you?

Dennis Lin: I think the most challenging for me would be being able to communicate your clear strategy and executing it with rather engaging leadership. And then being in a position to make some very hard decisions that's purely based on business. We have already developed some personal relationships with the people that have worked with you.

Glen Norris: Are you a bit of a softy, are you?

Dennis Lin: I am. Yes. But at the same time, I can also be very hard. And I think that's why it is very difficult because all businesses are built by people and you develop some really long-term relationships with people.

Glen Norris: But you're saying you've got to make the hard decisions-

Dennis Lin: But you have to make the hard decisions.

Glen Norris: It's all about keeping the business, the doors open, got to make a profit

Dennis Lin: Yes, and that's always the hardest but you need to have everyone's interest at heart.

Glen Norris: Very good. Thank you. Jack-

Jack Steggall: Yeah. I agree it's the hard decisions that have been the biggest challenges for me. Now whether those hard decisions are around people or process, it's something that I've struggled with and when I turned away somebody for the first time that was a major milestone for me and since then there's been ... I've done it several more times. I cannot say-

Glen Norris: So is that the hardest thing in business...missing somebody?

Jack Steggall: For me it is. And other people would say differently. For example, with my partner Linda, with her, it's more about finance. We've had times in the company when we were struggling enormously, financially. I've had to get on the phone and tell suppliers that we're not paying them for 60 days, 90 days but that didn't phase me a great deal. But when it comes to terminating somebody, yeah, I like to sleep at night.

Glen Norris: Is that because ... is it sort of a ... I suppose a smaller business is sort of a family on some respects.

Jack Steggall: Yeah, I think it was a bit more emotional attachment and you put a reasonable investment into people and you find that that person hasn't turned out quite the way you thought. Some people I find, don't work as well on a team environment as you would hope and think. They do a good job on their own but put them in a room with two or three other people and there's a whole of mechanics going on that sometimes just doesn't plant very well. So that's been a challenge for me, and our business is withholding and training the right people and it's just a incredibly important part of the business.

Glen Norris: Yeah. I suppose I guess the fact that you know business is about people, let people go. Raj have you sort of struggled with that aspect of the business? Obviously, you've had declines in the business where you probably didn't need as many people as you know ...

Rajeev Ramankutty: Yeah, remarkably through all those cycles, the recession we need to have, the GFC etc, our workforce has been very, very stable. They've always employed about 60 people so we were able to write those ups and downs very successfully. So we've got a model which enables us to do that, so that's been great.

I recall Jack's comments, some of those people issues are the hardest ones you have. I mean, when you have to let go of someone who has been with the business for a long time. For the outsiders it looks very easy, it's been done very clinically but the amount of heartburn you go through to get to the point, a lot of people don't actually see. So I agree with Jack's point there, as leaders that's something that we all share, even though sometimes you have to do that.

Glen Norris: Well, I think, we'll leave it there tonight. Thanks very much for tuning in to the BDO and CCIQ Facebook live event talking about business essentials. We've had some great comments tonight, some great advice and thanks for the questions, people have sent in.

The recording will be available on the BDO Facebook page, later on, so please delve in and listen, comment if your sort of interested in a particular area of the show. But thanks again for joining us and we'll see you next time. Thank you very much.

Jack Steggall: Thanks, man.

Dennis Lin: Thank you.

Rajeev Ramankutty: Thank you.