



1 Introduction

Schoolies Week, boutique modelling and fast ferries – what do they have in common? All were ideas started by people who had a vision and fulfilled that dream by starting up a business. They were **entrepreneurs**.

Ernst & Young, one of the world's leading firms of accountants and business advisors, recognises and encourages entrepreneurs. Operating in 140 countries and employing more than 107,000 people around the world, Ernst & Young helps businesses with accounting, **auditing**, **taxation**, **risk management** and transaction support.

In Australia, Ernst & Young audits 31 of the companies comprising the **S&P/ASX 100 Index**. Ernst & Young Australia employs over 4,000 people in seven office locations across Australia.

2 The market segments in Australia

The three markets in which Australian businesses can typically be categorised are:

S&P/ASX
100

Entrepreneurial
Growth Markets
(EGM)

Small
Business

Ernst & Young defines EGM's as mid-sized companies that aspire to be the leaders of tomorrow.

Small to medium-sized Enterprises (SME's) are a combination of EGM's and Small Businesses.

3 What makes an entrepreneur?

Got an idea for a new product or service? Or maybe you have an idea to vary a product that already exists? Perhaps you are an entrepreneur just waiting to happen!

But what actually is an entrepreneur? Put simply, an entrepreneur is someone who recognises a need for a product or service in the market and brings together all of the resources – physical resources (such as the materials), equipment, capital (money), and staff – required to meet that need.

But does successful entrepreneurship take more than this? What about a person's drive to succeed; what about creativity and passion? Entrepreneurs can be very successful, but to reap the benefits of success they have had to work very hard. There is no set 'profile' of an entrepreneur; they come from diverse sectors of society, can be young or old, and have large or small companies. However, they do display certain work-related characteristics.

James Millar, the **Chief Executive Officer** of Ernst & Young Australia, has identified that successful entrepreneurs¹ need to have:

- A dynamic and all-encompassing vision
- An insatiable curiosity and passion
- A vivid imagination
- Integrity
- Determination through adversity
- An ability to inspire people with their imagination and motivate people with their passion.

¹"The True Marks of Entrepreneurship", Entrepreneur of the Year Annual Review 2005, p.9.

The top 10 characteristics of today's successful young² entrepreneurs.

Despite the diversity found in their businesses, young entrepreneurs tend to exhibit similar character traits.

- 1 Passion** They are often in a business they love or have turned their hobby into a business.
- 2 Vision** They have a clear vision both personally and for the business.
- 3 Unflappable confidence** They are not afraid to fail, and, if they do, they pick up and start again, often starting multiple businesses.
- 4 Leadership** They inspire and motivate those around them and, in doing so, build a loyal workforce.
- 5 Networkers** Young entrepreneurs form unusually strong business networks and rely on them heavily.
- 6 Appetite for risk** They are comfortable and often thrive in a high-risk environment.
- 7 Detachment** Successful entrepreneurs can separate their passion from their business and know how to get out when timing is right.
- 8 Flexibility** They follow market desires and work in virtual teams (no 'head office'), using technology to adapt quickly.
- 9 Customer-savvy** They're educated about fashion or trend cycles, always on the lookout for the 'next big thing' and focus on customer needs (commonly in the lifestyle/service sectors).
- 10 Worldly** Today's young entrepreneurs are well travelled, well educated, well read and often bi/tri-lingual. They think globally from day one of being in business.

²Ernst & Young see a young entrepreneur as someone aged 35 or younger. Source: Entrepreneur of the Year Annual Review, p.24.

4 Why are entrepreneurs important to Australia?

Entrepreneurship brings a vital dimension to the Australian economy. Concrete benefits can be seen in the goods and services produced by their businesses, the jobs created, both directly and indirectly, and the income and export earnings generated.

The development of new products and services and the use of cutting-edge technology have created the competitiveness of our economy and increased considerable value for Australia. For example, the entrepreneurs nominated for the 2005 Australian awards created over 9,000 jobs, and the 2005 finalists alone had businesses that averaged over \$1 billion in turnover.

5 Why are entrepreneurs important to Ernst & Young?

Ernst & Young recognises that entrepreneurs are the 'engine room' of the Australian economy. It is entrepreneurs that come up with innovative and commercially viable product/service ideas that appeal to consumers and thus create successful businesses. They drive economic growth and the competitiveness of the Australian economy. Ernst & Young supports entrepreneurial businesses in two ways; by helping hundreds of Australian companies grow from expanding enterprises to major market forces through its Entrepreneurial Growth Markets division and by producing the Entrepreneur of the Year Awards.

6 Ernst & Young and the Entrepreneur of the Year Awards

Ernst & Young presents the Entrepreneur of the Year Awards to innovative and successful entrepreneurial business people. These global awards recognise entrepreneurs who establish and lead successful, growing and dynamic businesses. The primary objective is to discover, acknowledge and celebrate the contribution of entrepreneurs to the business community and the economy overall. The program has expanded to more than 40 countries and 125 cities worldwide. Worldwide, more than 900 entrepreneurs have won these awards since their introduction in 1986.

The Australian Entrepreneur of the Year Awards program started in 2001 and is conducted on a national basis in five regions. The winners of each region then progress to the national awards. The Australian Entrepreneur of the Year is invited to attend the World Entrepreneur of the Year Awards in Monte Carlo.

Previous winners from around the world who have gone on to the World Entrepreneur of the Year Awards include:

- **Scott McNealy** of Sun Microsystems
- **Michael Dell** of Dell Computers
- **Jeff Bezos** of Amazon.com

Source: Entrepreneur of the Year Annual Review 2005.

From Business Owner to Entrepreneur of the Year Award Winner – The Judging Process

To enter the Entrepreneur of the Year Awards, nominees provide details about their key achievements, the company financials, the business timeline and they submit an essay. Outlined below are the steps in the judging process, from nomination to final award winner.

Stages in the Australian Entrepreneur of the Year Awards			World Entrepreneur of the Year Awards
NOMINATION CATEGORIES	Award Winners are selected for each of 5 regions:	National winners are selected in each category	Australian Entrepreneur of the Year represents Australia at the Ernst & Young World Entrepreneur Awards.
Retail, Consumer and Industrial Products	Northern region (QLD & NT), Eastern Region, (NSW & ACT),		
Services including Financial, Business and Property	Southern Region (VIC & TAS), Central Region (SA) and Western Region (WA)		
Technology, E-Commerce, Communications & Life Sciences			
Young Entrepreneur			
Social Entrepreneur			
Champion of Entrepreneurship (non-competitive category)			



**ENTREPRENEUR
OF THE YEAR®**

What it takes

The independent judging panels consider each award finalist against six criteria, developed and used in every individual country's Entrepreneur of the Year Award program as well as at the Ernst & Young World Entrepreneur of the Year. These criteria are important in identifying successful entrepreneurs. Let's examine some of these.

Youth shows the way!

Criteria: Entrepreneurial spirit

Shown in: high standards, desire to be successful, taking risks, overcoming obstacles, perseverance & learning from experience.

Shelley Barrett (ModelCo) – National Winner 2005

Category: Young Entrepreneur of the Year

At 21, Shelley ran a successful boutique-modelling agency, with more than 1200 models Australia-wide. She used 10 years experience in the modelling and fashion business to develop a company, ModelCo, which produces LASHWAND, a heated eyelash curler. This product achieved over \$1m in sales in the first six months worldwide.

When the Korean supplier's factory burnt down, Shelley had contract deadlines she could not meet. She overcame this major obstacle by rapidly contracting with another manufacturer and met all existing orders. Within one year her **innovative** approach was demonstrated by the launch of four new products. One of these was TAN Airbrush in a Can, which became the top selling cosmetic item at David Jones and Myer. ModelCo produces over 70 products sold in over 500 quality stores worldwide.



So what made Shelley a winner? The factors were:

- Building up ModelCo in four years
- Expanding globally as well as in Australia
- Providing innovative ideas in a product area where 'speed to market' is a must
- Successfully competing against large, capital-rich, multi-national companies.

Just Cruisin'!

Criteria: Financial performance

Shown by: strength of financial performance, track record in raising equity and debt finance, managing cash flow, long-term sustainability, growth in financial results, reinvestment of profit.

John Rothwell Australian Entrepreneur of the Year 2002

Category: Services including Financial, Business and Property – Western Region

John is the founder and Chairman of Austal Ships, established in 1988. Through John's leadership, Austal is leading the world in the design and construction of high performance aluminium vessels. Austal is the world's largest builder of fast ferries, producing high quality and technologically advanced boats.

The company has **diversified** from the building of fast ferries to large passenger and vehicle ferries, military and customs support vessels, and private and cruise vessels, for both Australian and international clients.

Although the process of searching for new market opportunities caused short-term costs and difficulties, it positioned the firm for long-term sustainability.



Money isn't everything!

Criteria: Personal integrity/influence

Shown by: values, approaches to relationships, role model, mentor and/or advisor, involvement in the wider community.

Father Chris Riley (Youth Off the Streets) – Eastern Region Winner

Category: Social Entrepreneur 2005

This category is for leaders working in the **not-for-profit** area who have a vision for using best business practices to create a lasting improvement for people in need.

Being entrepreneurial does not have to be about making money. For 30 years Father Riley has devoted much of his life to helping homeless and disadvantaged young people. He is the founder and Chief Executive Officer of Youth Off The Streets (YOTS), a not-for-profit charity working to help homeless and disadvantaged youth. YOTS has become a significant provider of services for young Australians, offering drug and alcohol rehabilitation and education, residential support, counselling and street-based programs.



Under 50 percent of YOTS funding comes from government, but the organisation has been able to reach out to more than 45,000 young Australians since starting in 1991. Following the Boxing Day tsunami, Father Riley travelled to Aceh in Indonesia and developed a partnership with Muhammadiyah, one of the largest Muslim organisations in Indonesia, to provide care and support to child victims.

Schoolies Week!

Criteria: Innovation

Shown in: pioneering new approaches or technologies, ability to adapt, developing products/services ahead of the market, building a culture of innovation, investing in research and development.

Tony Smith (BreakFree Resorts & Holidays) – Northern Region Winner

Category: Services including Financial, Business and Property 2005

Do you know someone who was part of Schoolies Week? Tony was 22 when he recognised the market potential of Year 12 students celebrating the end of their school life. He set up BreakFree Holidays in 1988 and his travel agency launched a new product called 'Schoolies Week' which caters for 30,000 schoolies annually.

He continued to be innovative, forming a **joint venture** with Paradise Resorts to develop 38 resorts from Northern Queensland to coastal Western Victoria. Tony listed the company on the **ASX** in 2002. In 2005 the business had a turnover of \$69m, and merging with MFS Ltd, created Australia's biggest leisure accommodation business.

Tony continues to innovate, currently developing Holiday Invest to sell a new product called Holiday Bonds that entitles holders to benefits in the form of holiday accommodation.

7 Entrepreneurship and Ernst & Young's business

Businesses pass through a number of stages as they develop. As small **start-up** or **spin-off** companies grow their operations change. But they do not have to battle on alone. Ernst & Young provides advice and support for businesses at each stage.

Ernst & Young's Entrepreneurial Growth Markets division works with small and medium-sized enterprises (SME's) to ensure they reach their goals. How big is a small or medium-sized enterprise? We are not referring here to a 'small business' such as the local corner store; the size of a small and medium-sized enterprise relates to turnover and the size varies from business to business. In fact they may actually employ a few hundred people.

How does Ernst & Young help these SME's? It supports them by providing advice in the following areas.

1. Developing a dynamic business plan

Ernst & Young can provide advice on all elements of a plan from sourcing and applying for finance, seeking government funding such as research and development or export grants, market analysis, setting up operational systems and processes including IT systems, setting of benchmarks and buying assets. Advice is often tailored to unique problems such as a start-up **biotech** requiring a technical solution or patent protection.

2. Understanding and meeting business taxation needs

Tax problems for a business can be very complex. Ernst & Young can help small businesses record and monitor taxes, such as GST, stamp duty, state taxes, customs duty, company tax and **PAYG** taxation, and research and development tax concessions. Help can be given regarding the taxation implications of decision-making and the impact on cash flow and profit.

3. Planning and executing transactions

Businesses need to keep up-to-date with any change in rules setting out how they record and report financial information. As a business matures it may require help to grow into a larger, perhaps even global, organisation. For example, a business may need advice on how to raise new capital, how to merge with another company, or strategic planning. It may need an independent analysis and check on the accuracy of its financial data.

Ernst & Young also provides advice on **due diligence** which is providing a check for a business on the accuracy of their financial data.

4. Building and improving infrastructure, people processes and technology

This major area covers issues such as risk management, including security of data, independent audits, **corporate governance**, financial investigations and technical accounting advice. As they work with clients across many industries, Ernst & Young can offer up-to-date expertise on evaluation of IT systems, knowledge management, compatibility with global regulations and partnerships.

8 Conclusion

Entrepreneurs are responsible for significant economic growth, creating employment and wealth and enabling Australia to compete on the world stage. For these reasons, Ernst & Young is committed to entrepreneurship. There is lots of other help around – university Business Studies programs offer courses on entrepreneurship and there are also government programs aimed at this market. For more detail on these, go to the Ernst & Young section on the Australian Business Case Studies website (www.afrbiz.com.au).

Potential entrepreneurs see the same circumstances as others, but where others see a problem – a long wait in a queue, a product that isn't quite right – an entrepreneur sees an opportunity. He or she will visualise a product or service that meets a need. So keep your mind open for opportunities that might await you as a future entrepreneur!



GLOSSARY

ASX Abbreviation for the Australian Stock Exchange. This is the market where shares are bought and sold.

Auditing The formal examination of financial systems and the financial reports that come from them to ensure compliance with accounting standards and laws.

Biotech Abbreviation for biotechnology. Biotechnology is any technique used to make or modify the products of living organisms in order to improve plants or animals.

Chief Executive Officer (CEO) Also known as the Managing Director; this is the most senior management person in an organisation.

Corporate governance The system that sets out the rules and regulations that control companies, creating accountability.

Diversified The participation of a business in a range of different sectors and/or industries. It can result in improved income streams and a method of spreading risk.

Due diligence The process of investigation into the details of a potential investment, such as the examination of operations, management and financial reports.

Entrepreneur A person willing to take risks and start new business ventures.

Innovative A characteristic of a product, service or company, creative or different.

Joint venture Two or more companies that form a partnership to provide a product or service, usually resulting in the establishment of a separate company. They occur as a result of the clear synergy the two businesses bring to the market.

Multi-national companies A company that produces or sells its goods or services in more than one country.

Not-for-profit Not conducted or maintained for the purpose of making a profit. Instead, it operates to serve a public good.

PAYG Pay As You Go Taxation. The type of tax paid by most wage and salary earners whereby tax is taken straight from an employee's salary before they get it.

Risk management The task of managing (or reducing) the risk (chances) involved in the course of business i.e. the chance of loss is effectively reduced. In business, this is using a range of strategies to manage the risk that an adverse event may occur.

S&P/ASX 100 Index Represents an index of the 100 largest and mid-capitalised companies listed on the Australian share market.

Small to medium-sized enterprises (SME's) Small businesses are generally seen as having between 1-19 employees and medium-sized businesses up to 250 employees, definitions can vary slightly.

Spin-off (company) A way of starting a new company by separating from an existing one.

Start-up (company) A company that has been started from scratch. Usually used to describe a company still in its preliminary trading stages.

Questions and Extension Activities for Ernst & Young are on www.afrbiz.com.au

You will also find links to the Ernst & Young website