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Our changing world

By **Brendan Britten**
Melbourne

EDITORIAL

A new financial year begins, ringing in change for the Pitcher Partners' network. Don Rankin has stepped down as National Chairman of the network, leaving as his legacy a network that is highly capable, a true advocate for the middle market and focussed on the current and future needs of our clients and the careers of our people. Stepping into the National Chairman role is John Brazzale, having completed his term as Melbourne managing partner.

As new managing partner of Pitcher Partners Melbourne I am excited by the opportunity to continue to build our firm, and participate in the Pitcher Partners National Association. A national network that is independent, committed to supporting and working proactively with our clients, developing great careers for our people in times that are changing very quickly, and advocating for the middle market as the backbone of the Australian economy.

The world around us is constantly changing. How we work is being disrupted by technology and the forces of a global economy, but equally, presenting new opportunities to assist business and engagement in all aspects of our lives. Energy, vitality and a personal and professional growth attitude is critical to meeting these challenges of our business environment.

This issue of Contact touches on many of these themes, and I trust provide insights to assist your business.

Managing partner changes

Name	City	Title
Brendan Britten	Melbourne	<i>Managing Partner</i>
Leon Mok	Perth	<i>Managing Partner</i>
Nigel Fischer	Brisbane	<i>Managing Partner</i>
Bryan Hughes	Perth	<i>Chairman</i>

John Brazzale



Don Rankin



By Krist Davood
Melbourne

Mitigating cyber-risk – risky business?

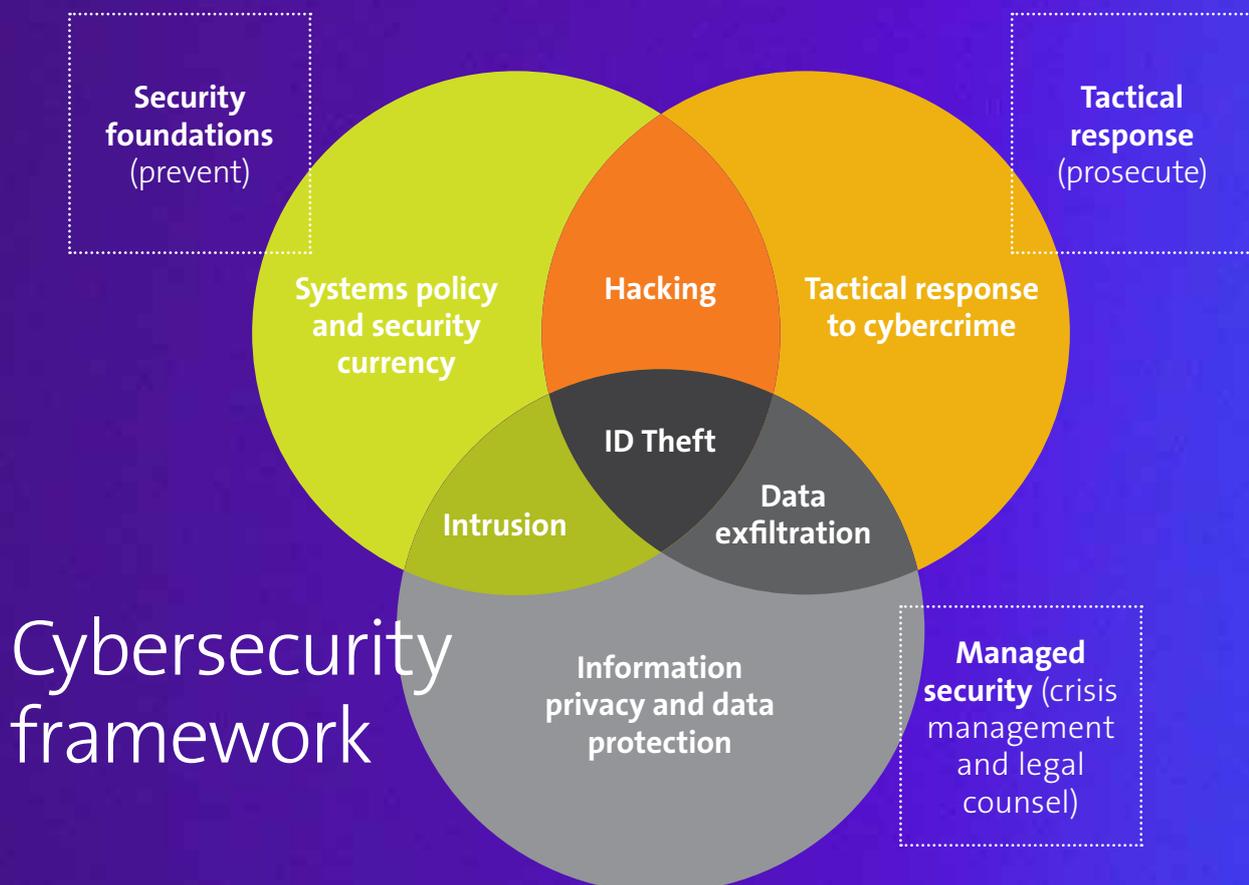
As a board member, owner or executive of a company, how much cyber-risk are you prepared to incur and, more importantly, how much risk are you taking that you don't know about and therefore haven't measured or tried to mitigate?

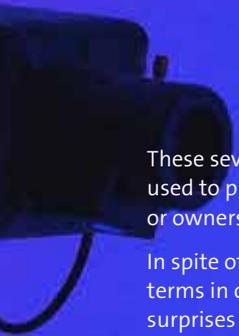
Dealing with risk can be fairly straightforward. But, recent international IT events, such as the Petya virus, evidence that it's the cyber-risks that can pose the greatest threat.

Any number of directors will tell you, since the focus on regulatory compliance and best practice standards, the demands on board members, owners and executives have increased significantly.

A recent survey backs these claims, especially from a cyber-risk perspective. According to results of the GSIS survey, they rank the assessment of security risks, inadequate policies and insufficient standards of third-parties among their highest priorities, translating to 75% of directors who need to spend more time on board-duties related to cybersecurity risks and 27% attending more meetings regarding cyber-breaches.

Most executives will tell you they have a rigorous methodology in place to handle cyber-risk management and internal control issues. An example of such a methodology/roadmap is as follows:





These seven basic components of the methodology are typically used to produce a cyber-risk mitigation plan for the board and/or owners to consider.

In spite of this vigilance, few CEOs, CIOs or CFOs serve their terms in office without being confronted with unwanted surprises arising from the failure of internal, technical, environmental, physical or administrative cyber-controls.

Typical surprises include:

- Unauthorised monies exchanging hands on the dark web
- Selling of private data on the cyber 'black market'
- Staff, clients and service providers finding ways of defrauding significant sums of money, and
- IT staff not being aware of how weaknesses in the computer systems expose the organisation to risk

Such surprises can bog an organisation down in an endless cycle of firefighting and litigation activities, leaving decision makers with very little time to be innovative.

Frequently, the ensuing state of disrepair is so extensive that the organisation is competing in the marketplace with one hand tied behind its back. Then, as the organisation begins uncovering a frightening number of intrusions or transactions that are processed without the proper controls, its strategic projects take a back seat.

From an executive's perspective, it is easier and cheaper to maintain the status quo by assuming cybersecurity is limited to their technology department. This logic is no longer true as Australia awaits the introduction of the *Privacy Amendment (Notifiable Data Breaches) Act 2016* coming into effect 22 February 2018.

Australian companies must adopt and embrace the attitude that mitigating cyber-risk is part of the road to business success. In part, that success is shaped by an organisation's willingness to review and minimise its cybersecurity issues so those risks won't get in the way of innovation.

Such a review of an organisation would occur between a Cybersecurity Governance Professional, specialised IT Security staff and internal audit. This team can enhance and dynamically change a company's IT, cybersecurity and internal audit functions to being a proactive force in true risk management activities. Cybersecurity controls can represent up to 65% of an organisation's internal and technical controls. It is ironic however, that the very people most suited to drive the mitigation of cyber-risk are the most difficult to find.

From a compliance perspective, it is not realistic for an internal auditor or an IT security professional with no cybersecurity background to unilaterally sign off on a systems control review that he/she is not qualified to judge. Cybersecurity Governance Professionals are difficult to come by because most of the technical people who have the technical skills lack the risk management and governance background. The Cybersecurity Governance Professional would use his or her business/IT expertise to identify all risks to the appropriate processes, data and systems.

Integrating risk management and Cybersecurity Governance is a vital evolution for most organisations, especially as they seek to comply with the relevant standards.

Before CEOs and/or CFOs can sign off on the integrity of their privacy obligations, they need to see and understand the complete picture. It is a paradox that the very digital engine of today's e-commerce driven market is the least available skill set in the IT departments of most organisations. How much cyber-risk are you prepared to take?

Keys to success for startups

BUSINESS NEWS

By Cole Wilkinson
Brisbane

Taking on the path of the entrepreneur rather than climbing the corporate ladder is becoming more widely accepted, particularly among Pitcher Partners' clients. The journey of an entrepreneur to develop, grow and potentially exit a startup is not for everyone however, and the skills and attributes required to be successful in this journey are not easy to come by.

In the first of a two-part series, a friend of Pitcher Partners, Aaron Birkby (Serial Entrepreneur, CEO of Startup Catalyst and Entrepreneur in Residence of the RCL Accelerator), sets out his list of those practical traits and skills every startup founder needs to invest the time in to develop:

1. **Resilience**—this is the uncanny ability demonstrated by successful entrepreneurs to continue to persevere despite adversity. It's the ability to get knocked down and stand up again, over and over and over. Founders with high resilience never speak of backup plans, and struggle to comprehend anyone who asks them at what point they will admit defeat.
2. **Endurance**—distinct from resilience, endurance is the ability to physically give 100% of your energy to every task when needed, even when your tanks are completely drained. It manifests as the ability to take a long-haul flight and run straight on a stage to talk to hundreds of people, before running back to a key client meeting, then hosting a key dinner event, before spending hours with your engineering team working through problems—all while appearing energetic and focussed. You need to be the energiser bunny.
3. **Decision-fit**—founders need to be able to make decisions extremely quickly, and get themselves to the point where 95% of them are correct (distinct from running experiments where higher failure rates may be desired to push faster laps of learning in innovation cycles). Being decision fit means you are in-tune with your business, and with your gut responses. Fast decisions improve productivity and growth rates, and instil confidence in the team.
4. **Networking**—people are everything, making your connections a form of currency. But so many people make the mistake of thinking that networking is about building your Facebook following or connection count on LinkedIn. Connections are really only valuable when you build real and meaningful relationships, based on respect, trust and credibility. Which is exactly why we build so many "breaking-bread" events into our Startup Catalyst mission schedules.
5. **Anxiety management**—starting and scaling a business is stressful, and high levels of anxiety are extremely common amongst founders. But it is easy to decouple the emotion from anxiety by realising that anxiety is actually a highly-evolved mental function that processes critical social and informational data and manifests the result as a signal to your consciousness of problems that need to be addressed. Once you accept anxiety as the high-functioning tool it is, you can remove the emotional symptoms and actually weaponise it as a powerful tool for problem solving.
6. **Human psychology**—develop your listening skills, your ability to read body language, and your situational awareness. People constantly emit signals through their choice of words, their body posture, and their choice of situational environment. Developing the ability to detect and interpret these signals gives you incredible cut-through in understanding others, selling, team management and relationship building.
7. **Leadership**—true leaders inspire others to follow, as well as step up so they themselves in-turn lead others. Leadership is distinct from management, and does not involve hierarchy. I have found a great starting point to learn about leadership is from military training manuals.

Cole Wilkinson is our resident advisor to startups and Director of Startup Catalyst. Aaron Birkby is a Serial Entrepreneur, CEO of Startup Catalyst and Entrepreneur in Residence of the RCL Accelerator.

Wall Street meet sport

CLIENT STORY

By Leon Mok
Perth

Sportnext, an ambitious Australian tech start up, has created a revolutionary digital platform that “goes beyond sports betting and daily fantasy sports”. With several successful rounds of seed raising over the last 12 months, the business is gaining serious momentum in the online sports industry.

The concept of Sportnext and its revolutionary approach is explained by JP Rambert, Founder and CEO, as we catch up with him to talk about the business.

Tell us about your business.

We've developed a revolutionary skill-based platform that is beyond what is currently offered on the market. This stock-market themed platform will reward the most knowledgeable sports lovers across the world as they compete against each other, leading to the creation of a new global ecosystem consisting of sports brokers, sports analysts and sports fans.

We've assembled a talented and experienced team of executives and advisors over the past 12 months to help us ensure our organisation's ambitious targets can be met.

How did you get the idea?

I've always been a passionate sports fan with a keen interest and knowledge in the stock market. One day it occurred to me that sports fans could potentially make good use of their sports knowledge to be rewarded in a more sustainable way than through the short-term, high-risk offerings of sports betting. We developed and tested the concept both internally and independently to find a very positive response and consensus amongst our target audience. The team and I are really excited as we prepare to make the platform available to sports fans in more than 200 countries in 2017.

What are your keys to success?

Building a strong and experienced team who embody the company's core values was critical when developing our company culture. In addition to our core values, integrity and transparency are key principles to which we all adhere. We are fortunate as an organisation to have a team who are so committed to our ongoing success.

Working with the right partners has also been a priority for us. In addition to our core partners, we are now starting to explore global strategic partnership opportunities with sports and media organisations on the back of strong interest in recent months. Developing and utilising our strong international relationships was also key in our expansion strategy, as this will allow us to pursue a regional rollout approach while having reliable and trustworthy partners in key markets.

Where would you like your organisation to be in 10 years?

On top of our game. Our objective over the coming years will be to create an ecosystem where in excess of two billion sports fans around the world have the opportunity to monetise their sports knowledge and skill in a sustainable way, unlike what is currently on offer from sports betting and similar chance-based offerings. We also aspire to create thousands of jobs in the process. Our success should be leveraged and a legacy created to positively impact communities around the world through sports scholarships and grassroots programs. Our recent alignment with Sportfeed and its founder, Jason Benino, emphasizes our commitment to some very big plans for the sport industry over the next decade, having recently completed a merger of the two companies. Watch this space.



Good Corporate Governance – good business sense

By Matthew Pringle
Melbourne

“Good” corporate governance drives great businesses and is the cornerstone of success from a start-up to an ASX Top 100.

Corporate governance is often a misunderstood phrase or concept with many thinking it means more bureaucracy, systems and processes that will make their business more costly or less nimble. In fact it is the fundamentals that often keep businesses afloat.

Really good businesses and business owners operate in an environment where they encourage personal accountability, transparency in their dealings and decision making, and participation by everyone in their respective areas or domains. “Good” corporate governance is the mechanism through which good people can make good decisions.

What good governance looks like is very different for each stage of a business life cycle.

Considerations

We work with our clients to help define what good governance should look like at their present stage, keeping a keen eye on their aspirations. What will add value to the business, perhaps mitigate some business risks, but ultimately drive really good decision making.

1 // Start up

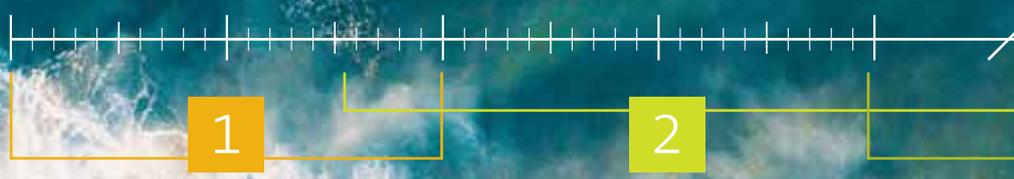
Identifiers

- Sole director/ shareholder
- Cash monitoring

2 // Early growth

Identifiers

- Equity from friends and family
- Limited debt resources
- Few employees
- Domestic market



Good governance requirements

A start up business is absolutely reliant on friends and key employees, collaborators, contacts and friends. Governance during this early growth stage is often around honest dealings, open and collaborative communication and flexibility in service delivery.

Good governance requirements

Many SME's see the first formal step down this path as setting up an advisory panel or advisory board. We work with our clients to identify the skills they need to grow or stabilise the business and help them identify the talented and experienced individuals that can provide those skills and experience. Is there a need for formal processes and meetings, or are you better off liaising with your advisors one on one on an as needs basis. You need to have a really good understanding of what you are looking for from this panel, and they need to have a very clear understanding of what you are expecting of them. We strongly recommend these be paid roles so that both sides are fully committed to the agreed process

Advisory boards are not decision makers, they are people the business owners trust to share their unique business proposition with, and who they believe will have experiences they can share to help ensure the business' success.

3 // Established growth

Identifiers

- Equity from high net worth individuals (HNIs)
- Finance facilities with covenants
- Partnerships to access new markets

4 // Early maturity

Identifiers

- Equity from institutions (venture capital/family office/strategic investors/public)
- More complex financial instruments/debt
- Local and overseas markets/employees

5 // Mature

Identifiers

- Listed stock exchange (IPO)
- Complex financial instruments – debt/equity

3

4

5

Good governance requirements

Depending on need, the next level of advisors may in fact never come together as a group, as their knowledge is required in specific situations or to assist with specific projects. For other businesses that are approaching the time when they may need to establish a formal board of directors, more formal meeting arrangements, content and agendas may be put in place to help the business transition to this phase. What needs to be focused on is what your business needs now to facilitate its move to the next stage of its evolution rather than a text book model of governance, as this won't fit most businesses.

Good governance requirements

To further enhance your business as it moves through its life cycle, more sophisticated reporting roles and responsibilities are required. As an owner some of the most difficult challenges are around separating ownership from control. Some of our most challenging assignments involve working with clients that need to put formal boards of directors in place and independent directors. This can be due to business succession planning, or be a prerequisite to investors putting their money in. It takes emotional intelligence to move from a position of absolute authority in decision making, to one where as an owner you need to consult with others (your fellow directors) and convince them of the merits of a proposal or course of action. It becomes even more challenging when external equity is introduced and the new shareholders require a greater degree of influence over key decisions and strategy. Others voting further challenges the founder's sense of ownership and control. Once a business enters this stage, without a high degree of emotional maturity, and a careful selection of directors and equity partners to work with, the governance framework needs to be robust enough to withstand the tension and pain this transition often causes.

What's New

For comments on this edition or if you wish to be removed from the Contact mailing list please email us at editor@pitcher.com.au. You can view Contact electronically at www.pitcher.com.au/insights/contact-magazine.

Client Achievement

One of South Australia's most iconic businesses, **L.V. Dohnt & Co Pty Ltd** recently won the Telstra South Australia Medium Business award. Celebrating its 85th anniversary in 2017, the company was also recently honoured, entering the South Australian Family Business Hall of Fame.

Pitcher Partners is proud to be associated with L.V. Dohnt & Co Pty Ltd – a chipping contractor providing the Southern Hemisphere with sustainable and certified wood fibre.



Pitcher Partners named Firm of the Year

We also took home the awards for:

- Professional development program
- Accounting student of the year (Arlen Dabinett from our South Australia office)



Partner congratulations

We would like to congratulate two of our partners who have been recognised for their hard work and leadership skills:

Rob Southwell from our Sydney office who has been named a finalist in the Business Leaders category of the Sydney City Regional Business Awards.

Vicki Macdermid from our Melbourne/South East office who was among a select few to be appointed to the Victorian Government's Southern Metro Partnership advisory board.

Queen's Birthday Honours

It's a privilege for us to work with the following clients, named in this year's Queen's Birthday Honours List for services to their communities.

We extend our sincere congratulations for their well-deserved recognition.

Name and Organisation	Order of Australia General Division	In recognition of
John Gandel	Companion (AC)	Eminent services to the community as a benefactor
Ian Hyman – Hymans Valuers and Auctioneers	Member (AM)	Services to people with a disability
Graham Slade – Slade Pharmacy Services	Member (AM)	Services to the community
Antonio Zeccola – Palace Cinemas	Member (AM)	Services to visual arts

Troy Hair

Sadly, Troy Hair passed away on 29 June 2017, leaving behind a legacy that will last for generations, forged by his leadership, mentorship and friendship. An inspiration for many, Troy brought a caring and positive approach to life and his work with clients, staff and colleagues.

Troy joined Pitcher Partners as a graduate in 1999 and rose through the ranks to Partner, gaining significant experience along the way working alongside a variety of small/medium sized businesses.

He will be sadly missed, but remembered for his positive attitude, resilience and perseverance, facing life's challenges with determination and a wonderfully bright disposition. We respectfully acknowledge Troy's contribution to the firm, and the network as a whole.



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