

TAX TALKS

Australia's Tax News Podcast - The Podcast for Australian Tax Professionals

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120 | A Fish Rots From the Head Down

There is a popular proverb that feels harsh but maybe it does because it is true. A fish rots from the head down.

A Fish Rots From The Head Down

This proverb is said to come from a book published in 1768 titled 'Observations on the religion, law, government and manners of Turks' written by Sir James Porter.

How does a comment written in 1768 about Turks – made in a completely different time about a completely different unrelated topic – relate to accounting, tax and financial advice practices in Australia? How is that relevant to us?

John Peterson is a business advisor to accounting practices and he devotes an entire chapter in his book to this proverb. So in this episode I ask him why?

Look at Yourself

Nobody finds it easy to look at oneself in complete honesty. But it is an important lesson to learn. It is so easy to just keep going and throw 10 years away.

Take Responsibility

Your personal development and learning is your responsibility alone.

Warren Buffet and business partner, Charlie Munger, still talk about their passion for learning as well as the customised and highly disciplined processes they go through to evaluate a company before investing in it.

Innovate on all levels, business and personal. Few people are willing to constantly challenge themselves to learn more and do better.

Human nature can work against you

It is our nature to resist fundamental change. But if we really want to grow our businesses, we must seek change.

Grow as a leader or get out of the kitchen

A small business needs a small leader. A large business needs a large leader. So master the art of leadership.

You can't do it on your own – nor can your ego

It's not difficult to design a business conceptually. It is, however, much harder to 'let go' and start recruiting a serious team of experts that'll make your life easier.

We Don't Know What We Don't Know

Looking at our own short-comings, there are five stages of competence.

Stage # 1 Unconscious Incompetence

You don't know what you don't know.

76% of businesses fail in their first five years from starting out. Another 16% fail in years 6-10. Why is the failure rate so high? Because most people don't know what they don't know.

Stage # 2 Conscious Incompetence

You know what you don't know.

If an addict can stand up and say, "I've got a problem," they are already half way there. The most important step towards solving a problem is accepting that it is a problem.

Business or leadership maturity works in the same way and the more a business owner admits that they don't have all the answers or all the skills and expertise themselves, the more they can progress, through the skills and expertise of others.

Stage # 3 Unconscious Competence

You don't know what you know.

Stage three often occurs because of a period of rapid growth. Suddenly, the momentum of top line revenue growth is driving the ego of the business owner.

Business owners in rapid growth mode are very difficult to help because they think they know it all. Sadly, this phase usually causes a large number of businesses to go broke because financial illiteracy and rapid growth don't go well together.

Stage # 4 Conscious Competence

You know what you know and you also know what you don't know.

Somewhere around the ten-year mark we find ourselves looking in the mirror and saying, "Geez, I've done ok at this but I really expected to have achieved more by now."

With this realisation come an appreciation of what we're good at and what we're not good at. This appreciation makes us more open to accessing expert advice when required because we don't want to waste any more time doing it the hard way if we can find an easier or smarter way.

Business owners with more than ten years of experience in running their own businesses are really easy to help because they want help and are open-minded to build on knowledge they have and humble enough to accept that they don't know it all.

Stage # 5 Leadership Maturity

It all starts with accepting that 'we don't know what we don't know'.

For some reason small business owners assume that experts will always cost too much, and yet I've come to realise that real experts are quite often more affordable than wannabes.

A specialist has specialised doing one thing and does that thing really well, fast and efficient. Much faster than you or I ever could.

For example, a website builder who specialises in a particular type of website is often doing high quality volume of them. As a result, they're surprisingly fast and affordable whereas a wannabe will trip and learn on the way, costing a lot more time and money in the end.

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