

Prosper or Perish

Many senior managers grapple with conflicting business objectives. Should the organisation focus on growth? Where does compliance fit into the picture? Is profit delivery for shareholders the key purpose? What about corporate social responsibility? In most organisations a variety of goals exist but it is important not to lose sight of a fundamental truth that, without a sustainable business, it will be difficult to achieve many goals let alone lofty ideals.

Sustainability, however, is not measured by single indicators, be they financial, organisation size or critical mass. Some firms in fact show healthy revenue growth but falter when it comes to consistent levels of profitability. When profits are low or negative, the focus of the enterprise naturally shifts to short term crisis management, putting great pressure on the long term direction of the firm. Once in this cycle it becomes difficult to adjust the business model and stakeholder perceptions without major upheaval.

The company's long term viability is

affected by its ability to achieve continuing profitability and remove distractions and pressure to chase every dollar. It is far more worthwhile for the senior managers to be developing and delivering programs focusing on the enterprise's strategic direction than to be fire-fighting. Without the constant worry of another period of loss or narrowly breaking even and the consequent demands of financiers, the team is free to pursue the firm's overarching goals.

Once the organisation is back on track, now is an ideal time to sort out the compliance systems, build internal communication, address the inadequacies in the company structure and processes and start instilling a focus on corporate social responsibility. These are all projects that require significant resources including time, money and expertise but are worth persevering with to get the right approaches in place. External research might need to be commissioned to understand organisation perceptions and important



measures of brand health amongst key stakeholders. Employee satisfaction surveys may be required. A full systems audit could be necessary.

This is an exciting era in business. Never before has there been a blank slate, sophisticated business systems and well trained people, along with economic local and national strength. Organisations that prosper will be those that capitalise on these conditions and take a strategic approach to business.

Sincerely,

Sarah Richardson
Director

Is the Founder Always Right?

In Australia there are almost two million small to medium enterprises. And, as is well known, a number, specifically 42% of business start ups, fail. Clearly there is no



shortage of people with vision and energy and in a positive economic environment, the chances for growth and prosperity are good. An important issue is managing the evolution of the company. Many entrepreneurs have great foresight and good technical skills. Many also are used to being in control and are not effective leaders as the business organisation becomes more complex. Some have been highly successful in driving the initial period of business growth, often due to passion and entrepreneurship, but need to learn new skills to steer the transition to a highly performing enterprise.

Managing complex but often routine businesses requires systematisation and experienced qualified managers.

Whatever the founder's original motivations for establishing the business, are those reasons still valid? Today the perpetuity of a business could be to create a legacy or provide employment for the next generation, or to offer continuing activity for the founder. Wealth maximisation might be top of the list or it could be low in priority. Whether the motivation is always sensible might not be relevant. The founder's current objectives and ownership of the business are the critical drivers.

Theory vs Practice

While practical skills are essential for any organisation to survive over time, it is important to remember the value of well qualified and trained staff.

The current skills shortage has put great pressure on employers. For some the only solution is to pay higher salaries. Other employers have developed innovative recruitment programs including negotiating visas and sourcing employees from overseas. While practical skills are essential for any organisation to survive over time, it is important to remember the value of well qualified and trained staff.

Some firms choose to manage this qualification and training process internally. However, this approach can be onerous and time consuming for existing supervisors, as well as creating implications for quality management. Other organisations prefer to recruit staff who are already qualified and experienced. It is expensive to hire only fully trained staff and the internal teaching helps to

impart the company culture. Often the ideal situation is a balance of both extremes.

The skills shortage has created worrying trends of reduction in the number and length of

In fact, in these times of employee shortages, there is a valid argument for better qualified personnel as roles and responsibilities are becoming larger and more complex. Also take into account the impact of better qualified employees on the other staff and overall company culture.

So when considering organisation design and tossing up between hands on experience and theoretical qualifications,



remember there is no 'one size fits all' solution. It very much depends on the objectives of the senior management team and a combination of both is typically required. Now is an opportune time to reassess the organisation direction and stage of evolution and some advice from outside the business could be helpful.

qualification of apprenticeships which will have enduring implications for employers. The answer is not to reduce the level of qualifications and experience required if doing so would create deteriorating quality over time. Alternatively, not replacing staff when they leave for greener pastures is also not a solution unless it is part of a strategic reorganisation.

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Going Public

Over the next 10 years 57% of Australian business owners plan to retire and will face the question of what to do with this valuable asset they have created. Even now, many businesses are at a crossroads, having evolved dramatically from a small struggling start up to a large and complex multi-million dollar enterprise. To continue on this scale requires significant investment in technology and people, often beyond the means of the existing equity holders and further debt from traditional financiers may not be recommended.

Going public is an option many owners now consider.

Listing on the stock market has several advantages including raising capital and building profile. It might seem appealing but creates significant changes in the way the organisation operates. Company valuation can be controversial and the costs of hiring experts and preparing materials can be prohibitive. Reporting to analysts and shareholders is often all-consuming. The role of the owner or

Managing Director is not the same and often requires a different type of person at the helm. There is a need for a demonstrated level of professionalism including board composition and processes.

Before taking such a big step, it may be worthwhile evaluating all the options and not just racing towards going public, particularly if the owner wants to maintain high involvement and has a real vision for the business.

State of Business Interview with John Langoulant, CEO Chamber of Commerce & Industry WA

Following a stellar career spanning three decades in federal and state government roles including ten years running the Western Australian Department of Treasury & Finance as the Government's Under Treasurer, John Langoulant was appointed to CCI in 2004. The Chamber has over 5,000 members and prides itself on the pursuit of a voice for free enterprise and consistency and quality of its policies. CCI regularly addresses industrial relations, occupational health and safety, business compliance, legal issues and environmental trends with commentary from its numerous qualified internal experts or through external referrals. I spoke with John Langoulant at his office on 6 September and asked about his career, the work of the Chamber and his business outlook.



CCI is experiencing a fascinating phase of development and Langoulant is excited by the dynamism. He particularly enjoys the opportunity of providing an essential service to members but also running a complex business which is highly respected in the community and seen as an organisation contributing to public policy.

The Chamber operates across a wide range of issues and is currently engaged in three broad directions. Firstly, it plays an important role in the industrial relations debate to ensure both government parties understand the business perspective. Secondly, the skills shortage is a major issue for Western Australian firms and CCI is putting great effort into finding people offshore. Finally, Langoulant has a central business management focus, particularly in guiding the organisation's modernisation, developing approaches and systems to facilitate delivery on customer needs and to further diversify. "An issue we constantly battle with is how to meet the needs of all the member base, how to make sure we're relevant and they're engaged. Some of our improved systems will allow us to identify who is involved in what. Another focus is the constant striving to keep balance in what we say. We seek to lobby for policy which is in the best interests of all business, both large and small."

Langoulant has a diverse and busy role. As CEO his key focus is to ensure clear strategic direction and appropriate resourcing of CCI. He typically has several daily meetings with direct reports ensuring projects are moving forward in the right direction and with the right support and communicates on progress to the Chamber's Board of Directors. Langoulant strives to ensure the quality of the Chamber's submissions remains high and consistent with the organisation's values. He also is involved with a number of CCI committees with external participants, exchanging information and developing positions around emerging issues and additionally leads the Chamber's important

resources tours and international trade missions as well as attending multiple engagements as CCI's representative. He is Non-Executive Director of the Telethon Institute for Child Health Research, Gold Corporation, Industry Capability Network and West Australian Ballet. He is Member of the Senate of the University of Western Australia, State Supply Commission, Curriculum Council and National Quality Council. Recently Langoulant was nominated to the prestigious national body, the Reform Council of COAG.

The Chamber is actively involved with training and qualification of the workforce through its recruitment and management of over 1,000 apprentices in the *Apprenticeships Australia* program and indirectly through the Government's *EmployFAST* scheme supporting 22,000 apprentices state-wide. Langoulant is particularly proud to note that 10% of the Chamber's apprentices in the *Apprenticeships Australia* program are indigenous and the number is growing strongly.

When asked about what he likes about his role, Langoulant indicates:

...the nice combination of being involved and expressing views in the public arena which has been my working life for 33 years.

I enjoy the dimensions of business the Chamber provides, the experience in running a large business and working for an institution which I respect and is supported by the business community.

According to Langoulant, a key industry trend is the current diversity of business resulting from the resources explosion and the significant adjunct diversified business with its associated population growth. He cites the impressive emergence of business clusters such as marine industry at Henderson, scientific research through the universities and information technology, a silent Western Australian success story.

Langoulant predicts an ongoing activity surge in Western Australia and Queensland around resources for many years, largely due to substantially based demand from China and the broader region including India. However, while Western Australia is well positioned with rich natural resources and geographic proximity to the Indian Ocean Rim, the driver of the world's population growth and future centre of economic focus, he warns against complacency and encourages resolution of housing availability, employment cost, infrastructure and social services delivery. When asked for advice for SMEs on dealing with the skills shortage, Langoulant indicates SMEs need to give priority to apprenticeships and invest generally in ongoing training to develop the youth for the future. They should also become more open to bringing different people into their companies including working constructively with organisations such as CCI who can efficiently source appropriate staff.

Langoulant describes himself as committed, passionate, devoted to Western Australia, excited about the opportunities and frustrated with his golf game!

His advice to political leaders is to communicate and work hard in partnering with business. To address the lack of infrastructure and population, Langoulant highlights the importance of medium and long term planning so business can organise for the future.

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Sarah Richardson Consulting was established in early 2004 to provide sales, marketing and management consulting for small to medium sized firms based in Western Australia. The consultancy offers business advice to Managing Directors/owners who may not have a full-time senior marketer or who are looking for an objective outside review.

The company provides consulting on:

- Sales & Marketing
- Organisation Structure
- Forecasts & Budgets
- Purchasing
- Acquisitions Integration
- New Business
- Supplier Management
- Profit Optimisation

Sarah Richardson, the sole Director, has held senior sales, marketing, strategic planning and general management positions over 18 years in the following business-to-business and consumer branded companies:

- Kellogg's (Australia)
- CCH (Australia)
- Johnson & Johnson (Australia)
- Yoplait (France)
- NutraSweet (USA)
- British Petroleum (New Zealand)

Prior to Sarah Richardson Consulting, she managed for three years the national sales, marketing and customer service functions for a small family owned importer and producer of craft products distributing to many small retailers and large chain stores across Australia.

Qualifications include:

- MBA (Honours), Marketing/Finance, University of Chicago Graduate School of Business, USA
- BCA, Business/Accounting, Victoria University of Wellington, New Zealand
- BA, English Literature, Victoria University of Wellington, New Zealand
- CPA and CMA Exams, Society of Chartered Accountants, New Zealand
- Teacher's Drama Diploma, Trinity College, United Kingdom
- Australian Institute of Company Directors/ Women on Boards Scholarship

Sarah Richardson is an active member of:

- Chamber of Commerce & Industry
- Rotary
- Australian Marketing Institute (CPM)
- Australian Institute of Company Directors (GAICD)
- Women on Boards



Graphic Identity

The way organisations present themselves dramatically influences stakeholder perceptions. Some firms place great importance on selection and training of the sales team. Others focus on developing company materials. Sometimes expensive and highly technical communication systems are purchased. But when it comes to the company's logo, this may be delegated to the junior marketer to oversee or left unchanged for over a decade.

It is understandable why some owners or Managing Directors avoid the thorny topic of graphic identity, if only for the extreme costs and weak outcomes of some projects. Logo evolution, however, does not need to be highly costly and, if well managed, can be a valuable long term investment in the brand.

If the firm has existed for a number of years, it is likely the original logo may not be appropriate for the current enterprise. It is

critical to understand existing perceptions and think about what brand image should be communicated. What meaning is conveyed by the current logo? What about the brand personality? Most importantly, revising or replacing a logo requires an expertise that is specialised and it is important to seek expert guidance.