Postcard from the North West

As a relative newcomer to Western Australia and consulting with several clients in different parts of the mining industry, I recently embarked on a Chamber of Commerce & Industry tour of the important resources sector, visiting mine sites and transport links. I learnt a great deal about a variety of industry segments, saw many operations first-hand and met a number of interesting people. The biggest eye-opener, however, was the scale of many of these businesses which clearly impacts on the financing, the number and expertise of employees and contractors and the level of associated technology.

The challenge may be securing another 20 tyres for a small haul truck fleet valued at $25,000 per tyre in the midst of a worldwide tyre shortage, handling the logistic details of moving 1500 workers to and from remote Telfer, recruiting 30 new staff for a mine site at Newman to keep up with growth during a critical skills shortage, managing the construction cost structure when steel prices are escalating or coordinating scheduled maintenance on several trains while 85% are en route. Whatever the challenge, whether exchange rate fluctuations, staff unrest, weather changes or customer dynamics, these operators manage complex businesses under many pressures. The particularly successful managers seem to focus on the variables under their control such as pricing and cost structure, customer relationships, human resources and company vision, and address the ‘uncontrollable’ variables as far as possible when they arise.

This exposure to the state’s important resource industry reinforced for me the value of investing in training and information. Even small businesses like Sarah Richardson Consulting need to keep up to date with industry trends, customer and supplier dynamics and market factors.

Sincerely,

Sarah Richardson
Director

Franchising may be the Answer

Many small businesses develop a powerful business concept, work out through experience how to streamline operations and build a capable internal team. Growth, though, may be limited by capital or people constraints and franchising may be the answer.

Franchising, however, is not without issues. The new Franchisor could have expertise in operating a small business but might not have the necessary skills to establish and run a Franchisee network. Franchisees may have their own business problems of cash flow or lack of managerial skills — which then become the problems of the Franchisor. While many Franchisees appreciate the advantages offered by franchising of brand development, proven systems and an established range of products or services, some Franchisees prefer to operate on their own terms and lack of adherence to the Franchise system results.

Before embarking on franchising — or any expansion plan — it is important to review and determine both organisation and personal objectives. An audit of business and individual strengths and weaknesses should then follow. Alternative approaches to franchising such as maintaining the same business structure, selling the business, making acquisitions, bringing in an equity partner or hiring additional senior managers need to be identified and evaluated. After careful review considering objectives and stage of evolution, franchising may emerge as the best direction for the business.

Family Business, the Owner's Dilemma

A successful family business and good family relationships can coexist.

Family businesses might not always provide the best returns on investments. But wealth creation and investment return may not be the only objectives. Additional goals can exist such as ensuring stable employment for multiple family members, having a vision and helping it materialise and contributing to the community through jobs, education and training, economic growth and specific community programs.

Family members in a business offer advantages of loyalty and knowledge, but can also bring lack of professionalism, formal training or support of the owner's direction.

There are ways to incorporate the advantages of family in the business without negatively affecting the business or creating stressful family relationships. First of all, there are many successful family businesses, several associations and a number of experts that can provide direction and assistance.

Whether seeking external help or addressing the issues internally, it is critical to review and ensure that the appropriate organisation structure and roles, training, succession planning, management processes and business planning exist for the current and desired company position. For example, some owners seek total involvement and control, while others like to be involved only at a strategic level and on ad hoc key projects. So the management team and skill set need to be structured accordingly. Some family members may not have the same passion as others for the business and would prefer to enter the organisation at a later stage or pursue a different career path altogether. It is always good to have a balance of skills and personalities in teams, which often means a mixture of family members and senior managers whose outside training and experience can benefit the firm.

Remember, a successful family business and good family relationships can coexist.

Acquisitions Integration

Size often matters — even if not to the financiers interested in the bottom line and repayment of the debt — to the owner, customers, employees. Some business owners' sole focus is to steadily increase revenues. Over time the opportunities for continued organic growth through new products and services and/or new markets may have disappeared and acquiring an existing business, perhaps a customer, a competitor or a company in a separate but aligned business, may seem attractive.

Acquisitions can provide immediate growth, access to new financing, alternative expertise, additional senior managers, new customers. Acquisitions may be appealing because they come with existing systems, people and products or services. But managing an acquisition can sometimes be more difficult than starting a business as it is not a blank sheet of paper. Often business owners carefully analyse acquisition alternatives in the preliminary stages but, once the acquisition has happened, assume the new business will operate smoothly. Unfortunately many businesses up for sale have fundamental problems that can be difficult to fix. The new team might be resistant to a new owner. Suppliers and customers may have lost confidence in the business. The cultures of the acquiring and acquired companies could be very different.

In spite of all these hurdles, the acquisition still may have good potential but the emphasis at this point needs to be on integration of the acquisition into the parent company's business. It is important for the new owner to determine the level of integration in organisation structure and roles, business systems and customer interaction, and then put significant effort into a smooth transition. Acquiring a business is only one step. The next and very important step is to ensure it becomes an effective part of the whole through well-managed integration.

What is PR?
By Preya McMahon, Director/Owner of Zing

Preya McMahon has 18 years public relations experience at Edelman (New York), PRP (own agency Washington) and several Australian agencies Following Zing's Australian startup in 2000, the US office of Zing has recently been launched. Key business focus areas are sport and entertainment, technology, healthcare and FMCG. Zing prides itself on strong customer relationships supported by creativity and innovation, along with operational excellence.

Public relations is the fastest growing and most diverse sector in marketing and is capable of delivering real, cost-effective results for a company's bottom line.

In marketing terms, PR is the quiet achiever, a subtle informer and influencer that utilises third party endorsement and tailored, audience-specific tactics to convey information to the public. People are exposed to PR everyday listening to the radio, watching TV, reading the paper, wandering through a shopping centre or even listening to the gossip in the staff room. In fact, up to 80% of the content of newspaper business pages is derived from PR sources. Technically, public relations is the management of information and communication between an organisation and its external audiences. The purpose of PR is to influence external perceptions and convey information, often via a third party such as the media. PR practitioners are expert communicators and use their knowledge of the media and marketing techniques to identify opportunities to attract positive media attention and drive the public to support the product, person or idea that is being promoted.

Media relations — utilising the media to tell the company's story — remains the backbone of PR but the industry reaches far beyond and draws upon a raft of 'below the line' techniques (space that is not paid for) to achieve results for clients. The list of PR methods is constantly evolving and ranges from strategic planning to publicity programs; product launches to sponsorship leverage; brand ambassadors to promotions; and speech writing to blogs.

Companies both large and small use PR to raise awareness, persuade, promote a person or product, minimise the impact of a crisis, support advertising campaigns, attract new customers or build loyalty with existing ones. It can be used to position a product or brand, educate and improve image perception or encourage trial with a particular target audience. More and more companies are turning to PR because it offers a creative, credible, cost-effective alternative to traditional advertising in a marketplace increasingly immune to standard product plugs. Because customers are hearing the message via a journalist or other more subtle medium, it comes with a tacit endorsement meaning it is much more likely to be believed and accepted. Even the biggest brands and companies are being won over by the creativity, cost-effectiveness and accountability that tailored, niche approaches such as PR offer. PR enables companies to make an emotional and personal connection with their target audience by underscoring the relevance of a brand to a customer's own lifestyle or interests.

PR is usually evaluated against set objectives such as key messages in media coverage, audience reach, sales targets and change in public opinion. Future PR tactics can then be tailored according to these results and feedback.

The greatest shortcoming of PR is it is impossible to guarantee outcomes or completely control media coverage. The media will put their own spin on a story, where it appears and when it runs. Good PR practitioners will be able to estimate the likely exposure but other stories can emerge at the time that alter the coverage received.

PR is not rocket science and in fact much comes down to being savvy and street smart. Whether a company wants to do their own PR or hire an agency to do it for them, the first move should be to think about the goals – then get some advice from an expert.

Managing Budgets

> The budgeting process is one of the most important of any organisation.

The budgeting process is one of the most important of any organisation. This is where the revenue targets are set for the year and the appropriate cost structure identified to deliver those targets. Unfortunately many senior managers place little emphasis on this critical task, run out of time and delegate to the finance department or junior staff.

It is important to take a collaborative approach, gaining input from all relevant functional areas. The sales team needs to have optimistic but achievable targets to maintain enthusiasm and commitment. Cost budgets for other areas such as marketing, finance, purchasing and information technology should also be realistic but not excessive to manage the company cost structure while delivering required performance.

As many organisations approach their new financial year, it is an opportune time to put effort into the budgeting process, ensure key personnel understand and embrace the targets and set up a timetable for budget review.

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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.

Sarah Richardson is an active member of:

- Chamber of Commerce & Industry
- Rotary
- Australian Marketing Institute (CPM)

The Value of Information

Sometimes so much information exists that it is difficult for a business owner to make an informed decision. It seems easier just to stick to experience and gut feeling, which have worked well in the past. The business may have evolved, however, becoming more complex and fragmented, so systems and information will be key to business success — and even survival.

It is important to determine what information exists and to organise it into useful and meaningful information. Also, knowledge gaps should be identified and the most cost and time efficient approach implemented. This is where management reports can be particularly helpful. It is surprising the number of companies that have few or no useful management reports. The senior managers including the owner should be provided regular information to help them operate their functional areas. If the systems are such that numbers from the accounting and sales systems do not agree or nobody is accessing the data because it is complicated and time-consuming to do so, it is probably time to review the information system. The system itself may be adequate but just needs an internal or external expert to identify a concise but thorough suite of regular management reports. Some companies like everyone to be able to access reports online, which can result in the reports losing their usefulness in catering to a broad user base. Other companies prefer hard copy reports to be prepared by a business analyst. But this can mean not all reports are prepared due to the analyst's workload or that the analysis is limited because of the analyst's lack of business experience.

Information when used wisely can be a powerful tool for business success.