

BUSINESS PLANNING

Life post the GFC

2009 was a challenging year for Western Australian firms and clearly many clients used the opportunity of the financial crisis to solidify their business. After another busy but somewhat different year work-wise I am delighted to present the first newsletter in 2010 for Sarah Richardson Consulting. Thank you to all the clients who provided interesting and challenging projects for the consultancy last year. The question facing everyone is have we used well the down time and are we ready for a recurrence of skills shortages and chaotic activity with the pipeline of projects on Western Australia's busy agenda?

While many organisations worked through human resources challenges and marketing issues in 2009, some unfortunately responded to the difficult financial period by just cutting costs (investments?), reducing staff, delaying decisions and ultimately standing still. With external factors such as reduced sales, delayed payments, credit squeezes and low business confidence,

even maintaining the status quo is improbable and the firm is more likely to go backwards. Global research also indicates that in tough times companies that invest in marketing do better after a financial crisis and marketing is only one of many areas requiring planning and investment.

Most owners and Managing Directors remember the boom time of several years ago and the associated difficulty of recruiting high calibre staff, employee turnover to greener pastures, increasing sales with escalating costs due to lack of control, cash flow constraints and weak marketing. While some business leaders understood the need for planning and solidifying the company foundations during the financial crisis recognising it was a temporary period, less proactive others tended to focus on the immediate concerns of softening sales, lack of control systems in the business and cash flow crises.



If the foundation work is well underway, it will be essential to see it through in 2010 to reap the rewards. The preparation will have been an effective investment of funds and development time for what most experts expect to be another period of economic expansion for Western Australia. If, on the other hand, the important groundwork has not been completed in 2009, now is an opportune time to build the foundations for ongoing business success.

Sincerely,

Sarah Richardson
Director

BRAND IDENTITY

The Value of Brands

An organisation's brand is its lifeblood. This is true for companies in the private sector, government entities and NFPs. Often the important strategic marketing focus, however, is not followed in spite of the evidence that brands create differentiation and price premiums resulting in profitability.

Does the brand identity reflect the



positioning and values of the entity? Where does the marketing function sit in the enterprise? What marketing skills exist internally and are experts consulted for advice? How much investment in terms of dollars and percentage of sales is put into marketing programs? Is market research conducted, are the results regularly communicated internally and what actions are taken? Does the organisation initiate a rigorous marketing planning process annually?

Marketing is a long term exercise and, to add value to the organisation, needs to

be embraced by the Managing Director. Depending on the entity's life stage and circumstances, the appropriate marketing might be as simple as an advertising campaign to build brand awareness with target customers or as complex as a graphic identity project followed by an integrated suite of marketing activities.

Whether a firm wants to do its own marketing planning or hire an external advisor to do it for them, the first move should be to think about the goals—then get some advice from an expert.

THE PEOPLE PROBLEM

Moving from Recruitment to Retention

Global staff satisfaction surveys indicate that, while staff may be staying longer in a role or firm during tough times, many employees are unhappy or unmotivated—and financial rewards are typically not the highest on the wish list.

Several years ago it was difficult to recruit first class employees. Many organisations were forced to make undesirable compromises in terms of staff quality, job descriptions or salary packages—and others responded by increasing workloads of existing employees, blurring lines of responsibility and removing valuable human resources systems in an effort to keep up with customer demand for products and services. Were these prosperous times the good old days?

During the financial crisis it has been easier for companies to establish human resources disciplines, source and retain the right staff and reward employees with appropriate rather than inflated salary packages based on their

qualifications, experience and the requirements of the job position. Global staff satisfaction surveys indicate that, while staff may be staying longer in a role or firm during tough times, many employees are unhappy or unmotivated—and financial

of appreciation.

Both informal and social communication are important but differ from formal structured communication which is lacking in many evolving organisations and is the way for people to work

together productively to meet the entity's objectives.

Many managers have been promoted for their technical skills rather than their leadership qualities. So investment in some leadership training for senior staff including the owner and Managing Director is timely.

This will not only be motivating and productive for the Management Team but also benefit the entire organisation as the new skills are regularly practised and become second nature.



LOCAL PICTURE PERFECT

Western Australia: Ready for Another Boom Time?

The impact of planned resources and construction projects in Western Australia is already starting to flow through the economy. Are we ready for another boom time?

Does the enterprise have an effective human resources strategy in place—or is the loss of employees to lucrative resources work a real threat? Has the current demand for the entity's products and services outstripped the existing infrastructure and is a return to daily juggling on the horizon? Does a well thought out marketing program exist or are ad hoc

activities implemented when opportunities arise?

In boom times the cost structure and organisation design may no longer match the increased demand, costly and time consuming mistakes can occur when making decisions without appropriate information and burn out of internal teams and suppliers might result from the constant intensive workload and lack of systems.

One of the most difficult but essential

responsibilities of the Management Team during rapid economic growth is planning. While it is impossible to change the external environment, the owner or Managing Director can take a leadership role and chart the firm's direction, rallying the senior staff to incorporate the approach in their respective areas. So although the Managing Director may find it exciting to supervise the shop floor or negotiate key contracts, the next period will test their strategic and change management skills—and it is an appropriate point to get some help from a specialist.

STATE OF BUSINESS INTERVIEW

Suzanne Ardagh, State Manager Australian Institute of Company Directors



Suzanne Ardagh has been involved with Australia's pre-eminent directors' association, the Australian Institute of Company Directors (AICD), for several years following two decades in the private and public sectors in Western Australia and Asia in the fields of diplomacy, corporate affairs, education, marketing and communications. Her previous roles include Marketing and Communications Director for RMIT International University in Vietnam, management of the office of the former CEO for Wesfarmers Limited, Michael Chaney, and foreign embassy postings in Vienna, Mexico City, Havana and Budapest. Ardagh is also Board Director of Musica Viva Australia, an independent non-profit arts organisation connecting audiences with chamber music, the Perth International Arts Festival and IASKA, a visual arts NFP. She holds a BA, Grad Dip and MBA. Heading to Asia for what is developing into a regular AICD event presence, Suzanne Ardagh and I spoke via teleconference on 8 February and discussed her career, the work of the AICD in Western Australia and her outlook on business.

Over the last fifty years the AICD has evolved from disparate branches across the country to a national organisation established in 1975 which culminated in a merger of the Institute of Directors and the Company Directors Association in 1990. The Institute's purpose is to ensure the best possible behaviours and practices in relation to governance by Australian directors. The organisation exists to serve the interests of all directors including those in public and private companies, NFPs, government organisations and indigenous entities. The AICD has three broad roles. Membership services including information provision and networking activities is a key focus. A second responsibility is professional development for directors. The third area is influencing public policy on director issues and promoting the value of directors in the broader arena. The most popular offering of the Institute, however, is the prestigious Company Directors Course which is now delivered more than 80 times per year across the country as private enterprise, the NFP sector, government and indigenous groups recognise that board membership is a serious responsibility.

Suzanne Ardagh understands the importance of catering to the unique requirements of directors in the state: membership in Western Australia differs from other states with 20% of members involved in the resources sector, 41% under 50 years old and the highest male skew. Under her leadership the Western Australian branch has initiated activities in Geraldton, Kalgoorlie, Bunbury and Albany. The office is also responsible for increasing the Institute's international presence, supporting a member base extending from Copenhagen to Chile but predominantly based in Asia. Ardagh's previous work experience in Vietnam has her well placed to understand the developing importance of our

regional neighbours as well as to handle their complex and varying directorship needs.

A typical day sees Suzanne Ardagh collaborating with corporates on partnership opportunities, organising speakers and panels, media scanning to identify business issues, supervising the AICD Western Australian three teams of Membership, Events and Education, reviewing Institute Council papers and significant planning. When asked about what she likes about her AICD State Manager role and her board positions, Ardagh indicates:

"I thrive on the interaction with the wide community of directors and enjoy the intellectual challenge of coming up to speed on different and technically complex industry sectors. The board positions give me an opportunity to explore my passion for the arts and contribute back to that important sector."

Ardagh describes herself as "energetic, curious and optimistic", ideal traits for an evolving organisation which is now seen as responsive to the needs of contemporary directors. She is proud of two quite different achievements citing her five year Vietnam experience, challenging and rewarding on both personal and professional levels, and AICD's indigenous sector program development which has recently seen the completion of a six month customised program incorporating delivery of monthly workshop modules for an indigenous organisation in the North West.

The AICD nationally and at local state level is

experiencing unprecedented growth due, according to Suzanne Ardagh, to the focus on the diverse needs of its member base and the heightened awareness of the importance of governance. Key industry trends facing directors are risk, director standards and codes of conduct, harmonisation of OHS legislation, globalisation and financial accountability. For the Institute, Ardagh reminds of the lessons learned from the financial crisis of the criticality for all member based organisations to deliver value and also to ensure they have strong communication channels with their members, which might include embracing new forms of social media.

Ardagh identifies three major projects she is excited to be spearheading in Western Australia: a public sector program rolling out in 2010, the indigenous work which is being extended this year and the diversity project addressing issues of representation including gender, age and ethnicity on boards. The diversity project requires collaboration with the national office on this critical initiative which aims to develop a diverse range of board ready executives for ASX Top 200 companies and ensure they are provided the opportunities to contribute at board level.

When asked for advice for SME directors on how to deal with the recovery, Ardagh reminds that "cash is king" and the importance of anticipating and handling skills shortages. She indicates that financial, social and environmental sustainability are essential considerations for directors of all organisations. Ardagh also believes government can play an important planning role, particularly in engaging with the private sector to create physical and social infrastructure to manage the growth.

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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 and 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:

- Workability (Board Director, Marketing Sub-Committee Chair)
- Australian Marketing Institute (Associate Fellow, CPM)
- Australian Institute of Company Directors (GAICD)
- Women on Boards
- University of Chicago Alumni Association (Mentor, Alumni Club of Perth Founder)



DOLLARS & SENSE

Pricing for Profitability

Profitability tends to become the focus when business circumstances are tough. It should, however, be a prime concern in good times so that appropriate investments are made to solidify the enterprise and funds set aside for difficult periods. When profitability (rather than cost minimisation which is a different focus) is not the ultimate objective it is easy to become distracted and fire fighting can follow.

Low or declining margins provide a warning sign the business is on shaky ground. Escalating costs is the obvious first port of

call—but it is also important to review the pricing strategy and the new business development approach.

For firms that have invested in technology, equipment, people or a combination, chasing price is soul destroying but it also suggests the brand is not solid. Alternately, the issue may be internal and external communication. If the sales personnel are nervous of charging appropriately for the organisation's products or services, perhaps they do not fully understand the business proposition or have

the right selling skills as the easiest but typically not most effective means of differentiation is price. In addition price cutting or everyday low pricing may be inconsistent and confusing to customers considering the other elements of the marketing mix. The person with ultimate brand responsibility in the firm should be defining the long term marketing direction including the pricing strategy and ensuring the approach is consistent and integrated. After all, without a profitable business, there is no business.