

Case Studies – Better Business Strategy Solutions

Mapping your road to success – foundation, vision, planning



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Case Study #1

Problem: Business sales stagnant

Objective: Grow the business with profitable sales

Background

The business had been generating the current level of sales for some time. Whilst profitability was not low, it could have been higher and the CEO/Owner wanted a solution that would enable the business to be sold for a good price in 5 years time.

Assessment

Many businesses go through what is a trading rut – nothing seems to change and no matter what is done to effect change, the business always seems to revert to the status quo.

Solution

1 Undertake an analysis of where the business in its industry is today.

This should include an analysis of:

- Current strategic plan.
- Current products and customers with an analysis of contribution by sales and gross margin.
- Current financial performance and recent trends in performance.
- Current research of the industry and major factors influencing or likely to influence future performance.
- Current management team (this would be assisted with the completion of BIR's ProfileXT™ and Checkpoint 360™).
- Current financial arrangements and capacity for additional finance from existing sources.

2 Create a goal with the Owners as to where they would like the business to be at a defined point in the future.

3 Map out the strategy changes which would need to be implemented to reach that goal, focussing on:

- Current and future products and customers.
- Margins by product group and customer

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PO Box 5121 SOUTH MELBOURNE VIC 3205
Level 40, 140 William Street Melbourne VIC 3000
Suite 9, 305-307 Kingsway CARINGBAH NSW 2229
Level 7, 28 University Avenue Canberra ACT 2601

T 1300 783 309

F 1300 307 322

E info@bir.net.au

W www.bir.net.au

- Additional overheads required to achieve these targets
- Funding required to achieve these targets.

- # 4 Allocate responsibilities to the management team.
- # 5 Set up a communication plan for the achievement of the plan throughout the business.
- # 6 Set up regular review points for the implementation of the strategies.
- # 7 Review on a regular basis the progress towards the goal.

Case Study #2

Problem: Where will we be in 5 years time?

Objective: Implement a growth strategy which is reflected throughout the organisation

Background

The business had been in operation for over 10 years and the Owner/CEO was in his mid 50's. The business had been successful but it was not set up to operate without the Owner having a hand in the day to day issues of the business. Upon reflection, the owner knew that he needed options for both the business and himself so that he could look at other options if he wanted to.

Assessment

This story is very typical of businesses in today's post baby boom economy. There are many business owners who need to pro-actively develop options for themselves and their business. It is not that they are not thinking about the issues. It is just that they don't have the impetus to put in place strategies to resolve what can often be difficult issues to resolve, especially when dealing with all the day to day stresses of business.

Solution

- # 1 Identify exactly where the business is today, both financially and management structure.
- # 2 Identify goal opportunities for the business and the Owner over a 5 year time horizon.
- # 3 Consider what would have to be achieved to realise those goals.
- # 4 Identify resources and roadblocks to achieving these goals. Think about your people, your systems, your Intellectual Property.
- # 5 Set up a system of Key Performance Indicators to measure progress towards these goals.
- # 6 Review achievement of these goals on a regular and consistent basis (we recommend quarterly for a full update) as part of the corporate management review processes.

Case Study #3

Problem: Business making significant losses

Objective: Stem the losses and turnaround business performance quickly

Background:

A private equity investor had acquired 40% of a family company which manufactured food products in the confectionary industry. It was loss making at the time (\$6M pa) and its turnover was in excess of \$35.0 Million.

Assessment:

- An initial assessment indicated the business had many unprofitable products and unprofitable customers and also, unprofitable distribution channels.
- The business had a history of major problems with OH&S and EPA compliance as well as the production and sale of substandard product including metal contamination issues.
- As a family owned business, the culture was not one conducive to constructive and open management.

Solution:

Michael Royal, BIR Solutions Founder, was appointed as Managing Director. He undertook a complete due diligence of the business, uncovering many of the problems identified above.

1. A review of sales strategies led to a revamp of distribution channel sales strategies to minimise costs of servicing small value geographically remote customers with split pallet orders.
2. A review of the marketing led to new product strategies in areas of market growth.
3. A complete costing analysis was undertaken to ensure actual costs were being attributed to each product and product group.
4. A competitor and costing analysis indicated many products were being sold below direct costs and these products were ceased as quickly as possible. In other cases, a presentation was given to the major retailers and price increases of up to 40% were achieved with no loss of products being ranged.
5. Overheads were reviewed and new supply arrangements were entered into where savings could be initiated.
6. Operational consultants were brought in to improve the efficiency and cost effectiveness of production and product quality.
7. Fraud was uncovered impacting upon a number of areas and steps were introduced to minimise the risks to the business without incurring significant costs.
8. Alternate plans for production in EPA & OH&S compliant premises were considered.



Case Study #4

Problem: No orders in the pipeline, costs continuing to be incurred each week.

Objective: Stabilise performance and generate orders for future business.

Background:

The business was located in Michigan, USA.

- It designed and built extremely high tech bespoke capital equipment used in the automotive and airline industries in the manufacture of diesel engines and jet turbines. Whilst its products were used in other applications, this had been the main focus for the past few years.
- It was a business which suffered the swings and roundabouts of the US market in these two industries. In 2001, there was a large downswing in progress.

Assessment:

A number of problems were identified:

1. The build time for the capital equipment was too long – (32 weeks) and cash flow payments did not match the timing of costs being incurred, resulting in negative cashflow during the build cycle.
2. Management had excellent engineering skills but limited understanding of the business dynamics caused by their negotiations with customers.
3. The value proposition for the customer was not clear. Too often bespoke solutions were offered at insufficient return for risk and time, particularly when new solutions had to be created to meet a particular customer's needs.
4. The cost of time delays was not factored in to the costings or variations.
5. There were potentially profitable areas of the business in after sales service and machine upgrade/replacement which were not being actively nor strategically pursued.

Solution:

1. Look for a replacement CEO to put in someone who had more industry focus than the incumbent (we poached the CEO from our main competitor).
2. Put in place a pro-active strategy for gaining customer orders rather than a reactive 'wait' strategy.
3. Look at production processes to simplify and pre-prepare commonly used modules so that order to shipment time could be reduced (this came down from 32 weeks to 16 weeks)
4. Renegotiate cash payment terms to ensure cashflow neutral position at worst during the build and assembly process.
5. Institute a formal system of quote and variations processes so value added 'add ons' developed during the build phase were properly and fully compensated for by the customer – and paid for at the time, not at the end.
6. Re-develop after sales market opportunities from the databases of old customers (these machines lasted for over 10 years so the database was rich with re-sell and upgrade opportunities).