Blue Jam | NECASA

ACCELERATE BUSINESS GROWTH

Understanding strategy

- Is growing market share by 10% a strategy?
- Is increasing gross profit from 50% to 57% a strategy?
- Is planning to increase production from 3,000 units to 3,500 units a strategy?
- Is developing a program to reduce improve efficiency a strategy?

Planning is about arranging activities to stay on track to achieve an outcome.

Whereas Strategy is:

"Making integrated set of choices that are doable and position you on a playing field in a way that you win"

Professor Roger Martin, University of Toronto

i.e. the customer choses you over your competitors

What does the P&L tell us about strategy?

- Planning predominantly relates to the cost side of business, it's our comfort zone because we are in control.
- Whereas strategy relies on someone else making a decision to buy our product or service and thus we have far less control.
- Strategy underpins the very core of entrepreneurialism.
- Without strategy your business plan may serve as an instrument to efficient failure.

Profit and Loss Statement

Revenue

Less

Cost of Sales

=

Gross Profit

Less

Overheads

=

Operating Surplus

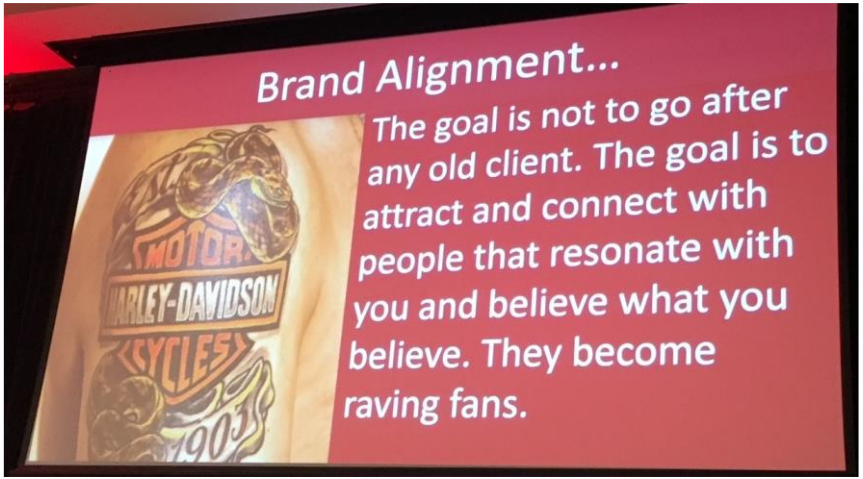
Mindset – and purpose

Why are you in business?

Business is the enabler to get what you want:

- Something you are passionate about
- Express your knowledge/technical skills
- You don't let perfection get in the way of progress (brain surgeons excluded)
- Have fun, enjoy success
- Achieve a higher purpose
- ROI makes sense

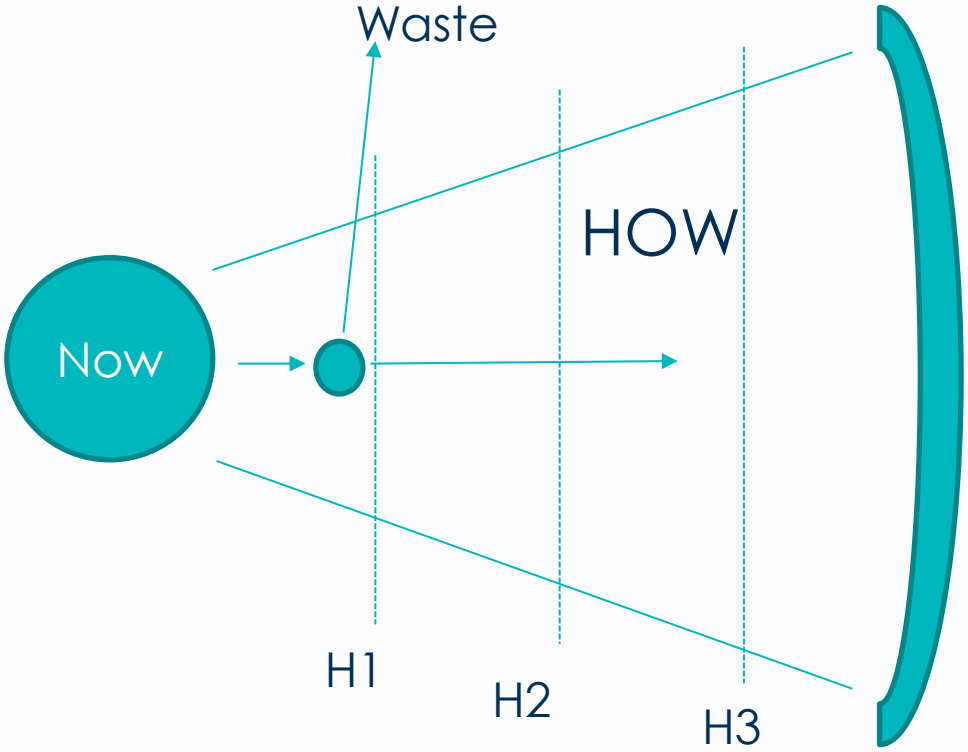
Align your business to what you believe.



"If you don't know why you do what you do, how can you get people to vote for you, or buy from you or more importantly be loyal"

Simon Sinek

Approach to Growth



WHERE

- Aspirations
- Accomplishments
- What are you are known for – values, brand promise

Understanding the now
Internal – Critical Success Factors

- Areas of our business that are vital to success.
- There are areas of our business we don't do well; other areas where we thrive.
- Areas of our business that require continuous and persistent attention.
- Working on limiting the areas of focus will see an increase in overall performance.

No business can do everything. There is not enough time, money, access to the right people, right equipment, etc.

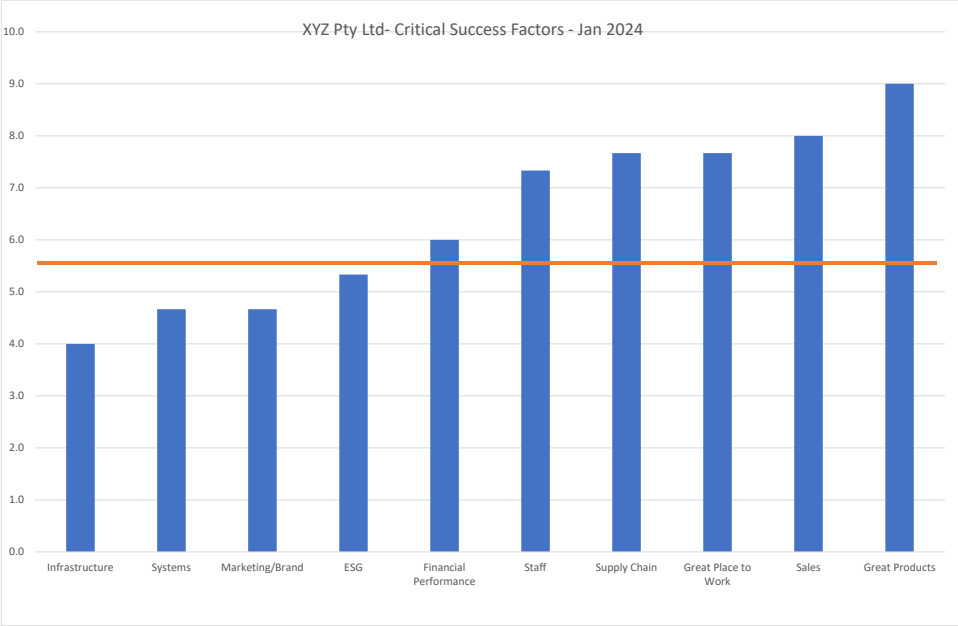
We need to set priorities, which means being focussed and removing distractions

"it is better to pick the wrong priority, than none at all."

Peter Drucker

Understanding the now

Internal – understanding your comfort zone



Health: Eating a balanced diet (cause) can lead to better health (effect).

Environment: Pollution (cause) can lead to climate change (effect).

Working Capital: Customer prepayment policies (cause) can lead to improved cash flow (effect).

ANSOFF

Markets	Products: Existing	Products: New
Existing	Market Penetration	Product Development
New	Market Development	Diversification

Strategy

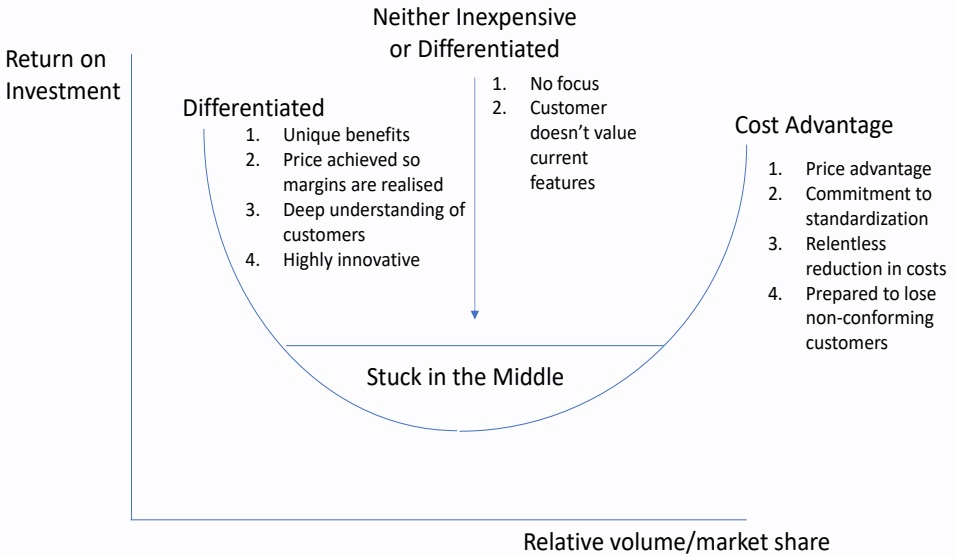
Market penetration - Relentless focus on efficiency, customer service (expectations) and cost control to drive advantages over competitors

Market development – Product enhancements, customer service and play to your strengths to compete in new markets. A new market must be attracted to your competencies.

Product Development - Extend your product by producing different variants, or repackage existing products. Value proposition is based on problem solving or enhancement or respond to changes in market conditions.

Diversification – Has to be a superior strategy, because you are trying to sell different products to different customer.

Don’t get stuck in the middle



Brand Promise

- The commitment that you are making to your customers
- The value and experience the customers can expect
- Value and experience customers receive every single time they interact with your business

Speed

Consistency

Fun/Family

Financial Model for Success - Goal is to use the right metrics to enhance PROFITABILITY and optimise ***scarce*** resources and ensure delivery on your brand promise

- What gets measured gets managed – must be easy to do and relate to the objectives of the business
- Are you using the right tech to measure and manage your business?
- KRA's and KPI's

KRA – Key Result Area, defines what you are expected to achieve

KPI –Key Performance Indicator, defines how success is measured

Examples for Electrical Contractors

KRA – Productivity >>> KPI – is revenue per electrician per hour. Why? To inform efficiency and pricing strategy (alternative is labour cost as a percentage of revenue).

KRA – Customer Satisfaction >>> KPI – Likelihood to refer you to a friend or family. Why? To inform quality, communication, on time completion and delivery on brand promise.

KRA – Gross Profitability >>> KPI – Gross Profit Margin. Why? Indicates cents in the dollar to pay overheads and yield a profit for shareholders.

Net Working Capital and Understanding the Cash Conversion Cycle (CCC)

- Net working capital – the difference between the current assets and current liabilities
- Current assets – cash, debtors, inventory, WIP
- Current liabilities – creditors, GST, super, short term credit
- Measures the businesses' ability to pay its bills and when they fall due and fund daily operations
- Best to track from one period to the next

Cash Conversion Cycle

Inventory Days (impact of direct labour)

Add

Debtor Days

Less

Creditor Days

To improve

- Your portfolio of work
- Invoicing procedures
- Deposits, payment terms and prepayments
- Automate accounts payable

Workforce – Changing landscape

- Job Skills Australia, May 25 data
  1. Technicians and Trades Workers remain a cornerstone of the workforce, with nearly 2 million Australians (14% of all workers) in these roles
  2. Almost half of new jobs created over the past year were in occupations that typically require a VET qualification or similar experience, highlighting the growing value of practical, skills-based education

- Trades Expectations (mobile workforce – if unhappy quick to move)
  1. Work-life balance – flex hrs, time off, hybrid work options
  2. Transparency on pay – clear information, benefits upfront, OT rates defined
  3. Mental Health Support – downtime, wellness resources, social
  4. Recognition and Support – prefer real time feedback compared to annual reviews
  5. Currency – up to date tech, tools, comms systems

Scaling up – leading others

- Biggest impact on improving performance – 70% rule
- Define leadership – influence others to a common goal
- Add growth, lead others; to multiply growth, build leaders
    1. Be intentional – what's important now
    2. Stay above the line to build trust
    3. Be consistent – underpins your credibility
    4. Command respect – stick to a value set

Key Learnings

- Business is a vehicle to get what you want – know your aspirations
- Planning brings certainty whereas strategy will capture the weight of uncertainty and unease
- Don't let perfection get in the way of progress
- A business plan without strategy could be a pathway to efficient failure, whereas a strategy to win is a chance to do something great
- Understand the now
- Strategy is a theory – start by mapping out the logic on what you believe is true, keep it simple
- Mapping out your brand promise is a great way to craft strategy
- Measure value – keep tweaking your strategy
- Management by measurement – what gets measured gets managed
- Leadership is intentional and leading leaders

Upcoming Opportunities for Development

Now is your opportunity to explore strategy in more detail:

Register for a 30-minute online conversation to talk about strategic matters for your business and how to tackle growth challenges.

Feel free to connect with me directly after this session and share your business card, or

Contact a strategic facilitator via email at – martin.pike@bluejam.com.au

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