

# Smart Talk

Insights from  
entrepreneurs

## MICHAEL SHERLOCK ON DISASTER RECOVERY

Smart Talk is a weekly column by successful entrepreneurs about their daily challenges. This week Michael Sherlock, co-founder of Brumby's Bakeries and co-author of just released book *Jumpshift!* talks about bouncing back from disaster.

● The extraordinary levels of natural disasters across the globe have spurred much talk about how we recover from them and try to prevent them happening again. Much the same pattern of speculation followed the global financial crisis. On the "what's in it for me" scale, we all need to be well prepared for disasters, great or small, as part of our business risk management strategy.

In the food business, hygiene and cleanliness are paramount and at Brumby's we developed procedures and standards for franchisees to follow. This approach was part of the Brumby's franchising mantra – work hard and follow the system and you can't go wrong. In 2003, however, we faced a "perfect storm" of bad publicity that could have spelt disaster for the whole chain. One of Brumby's multiple franchise owners had a falling-out with a staff member who was responsible for cleaning many of his stores. It appears that one of the local television channels supplied the staff member with a high-definition video camera and he shot hours of footage in some of the stores in the early hours of the morning. The edited-down 30-second video grab showed a dead rat under a bench, a live rat running behind a coolroom, cockroaches in the back of a bakery, together with what appeared to be rodent droppings.

The TV station ran the story and interviewed the cleaner, who said he had to work in poor conditions with little support and had left in disgust. At the time there was a local government election under way, so the local member appeared on TV and said the council was going to make an example and sent out health inspectors. Interestingly, the health inspectors found no evidence of rats or cockroaches but only minor discrepancies – for example, no soap in soap dispensers and cobwebs. As a result, the five stores were closed immediately and although they were shut for only one day, the TV station continued to show the rats and cockroaches footage for the next four nights.

On the first night, I appeared on all TV news and current affairs programs to

respond to the allegations and sent the clear message that Brumby's had a good history and took food hygiene very seriously. I refrained from mentioning the rat. The coverage went on for a week and then went away. Then six weeks later, as the local council election grew closer, the issue was revisited on the front page of *The Courier-Mail* in Queensland. Brumby's main competitor started running ads – "it's not us, it's them" – whereas Brumby's didn't make any further statements because we didn't want to give the issue oxygen. Ironically, the competitor's business apparently was affected more than Brumby's, presumably because they'd drawn attention to themselves.

Although this was a low point, we used this as a rallying point with franchisees. We supported the multiple franchise owner in getting his stores open again but the five stores that had been closed were affected by the expose. We then used this incident as a mandate for change. For example, compulsory annual independent third-party audits were conducted by Food Hygiene Australia. The other franchisees rallied to this approach and we remained determined to achieve the goals contained in the five-year plan, so fortunately we managed to turn a huge negative into a positive.

At the time of the "rat episode", the share price had dropped to 46¢. In addition to cleaning up the hygiene issues, we pressed on with implementing our business plan and four years later the company was bought by an ASX-listed company at \$3.60 a share. The step-by-step details of how this was achieved are set out in my newly released book, *Jumpshift!*

My key suggestion is to develop a disaster recovery plan as part of your overall risk management plan to ensure you reduce the risks of business closure or total loss of intellectual property. Ensure you also link your disaster recovery plan to a PR strategy that will develop a strong message for the market.

Always look for the positives out of disasters or near disasters so you can capture the upside. There's a lot of evidence to suggest that every cloud does have a silver lining and if you have the right plan you can turn defeat into victory, obstacles into stepping stones. **BRW**

**Next week: Kogan founder and Milan Direct co-founder Ruslan Kogan**

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