

DRIVING GREATER PROFITS BY FOCUSING ON BUSINESS OUTCOMES



I am often asked by SME business owners how Brumby's Bakeries achieved such enormous growth from 2003 to 2007, during the time I was the Managing Director. The answer lies mainly with the way in which we restructured the business, implemented a five year strategic business plan and built a strong culture with a winning TEAM.

Brumby's had hit rock bottom in 2003. The capitalisation had halved to under \$6 million and the brand was in the media for all the wrong reasons. Customers and franchisees were rapidly losing faith. The situation was best summed up by the Spike Milligan philosophy, 'We don't have a plan, so nothing can go wrong'. Unfortunately, everything was wrong.

The company needed a roadmap – a five year strategic business plan to set a direction of where it wanted to be and how it was going to get there. We engaged a first class accounting and advisory firm to facilitate the planning and development of our strategic business plan.

In this day and age we don't use road maps, we are dependent on our satnav systems. In keeping with the times, we developed eight coordinates to program the satnav and set out the company's future direction.



Each day when the CEO and the team get in the car, they need to start up the satnav and take the 'helicopter view' as to where they are on their roadmap to success. This approach contrasts with the feeling that they are stuck in the traffic and are viewing their business from deep in the trenches - the 'trench view'. As a business owner, you need to take into account the current conditions through which your business is travelling and adjust the satnav

program to suit changing business conditions.

Running a business is like driving a car. While the focus is on the destination, there are milestones along the way. To successfully complete your journey you need to be in the 'here and now', paying close attention to current traffic conditions and real time feedback you receive from gauges on your car's dashboard.

You also can't drive a car by looking mainly in the rear vision mirror. So if you run your business solely on 'rear vision' information (the P&L and balance sheet), you will find that it's all historic data and any actions you take based on that data are likely to be at least a month out of date.

You need to know your business success indicators and critical numbers so you can measure and monitor them in real time. This will allow you to ensure that you are always aware of how your business is performing.

The gauges on your dashboard are the real key performance indicators (KPIs) that you can monitor hourly and daily. These will have the greatest impact on the performance on your business.

Here is an example: If you were running a lunchtime café in the city, a key dashboard gauge (apart from quality and price) is likely to be the waiting time (between order and service) for your customers who are in a hurry.

To improve sales and profitability, you need to identify the optimal service/waiting time (i.e. reduce it from 15 minutes to 4 minutes), then develop a way of measuring, monitoring and

focusing your team on this one dashboard gauge. You can then recognise and reward your team on achieving this one KPI.

Decide what you can measure and report on a scoreboard so that your team can focus on and have accountability for achieving their goals – remember what gets recorded and measured gets actioned.

You can develop a dashboard yourself, but better still you can get help from software firms such as Brisbane-based uniDap Solutions, to design your e-dashboard so that you can leverage technology to get instant updates.

You need to identify your most effective business gauges for your particular industry. I find that the following gauges work best for all types of businesses:

- The speedo is sales per customer (SPC). To increase your SPC an effective tactic is to train the team to up-sell. Record your sales per customer and recognise the highest movers in each category as you achieve significant improvement.
- The rev counter or tachometer is the customer count. Every week record your customer count and provide a league table of the percentage change and top performers. The customer count is the most critical gauge of the success of a business. If any business selling a product or service is able to increase their customer base in real terms, everything else will look after itself.
- The fuel gauge is your profit and loss measure. For any business to survive it needs to ensure that revenue is greater than or equal to expenses. If not, the business will soon run out of cash flow (or fuel), which keeps the whole business on the road.
- The temperature gauge is the 'fun factor' or culture of your business. If you are having fun, you have already won! This is a lot harder to record scientifically than the other gauges as there are so many contributing factors. One of the best ways to record business temperature/culture is through staff retention levels.

The gauges described above are the main indices for benchmarking and recording the performance of your business on a weekly basis. Every team

member should have access to this information, with printed copies circulated every month and updates available hourly on-line, via text or twitter to your TEAM member phones.

Having a dashboard is a critical piece of a holistic business model. The eight steps in the business model we utilised are as follows:

- 1. Planning** – envision where you ideally want to be in the medium to longer-term and set targets for the next three to five years, one year and next quarter. I recommend that you use an experienced external facilitator to guide your thinking and to strengthen objectivity.
- 2. Research** – do your external research to find out what your customers really think about your business and what's happening in your marketplace. Prepare a research brief that clearly outlines what information or outcomes you want and engage the best consultants.
- 3. Strategy** – use the research to set the outcomes you want and develop simple, effective strategies and action plans to achieve those outcomes.
- 4. Structure** – devise a structure that suits the effective responsibilities, accountabilities and communications that affect your TEAM (Together Everybody Achieves More).
- 5. People** – recruit, motivate and reward the right TEAM members who have an 'owner's eye', thrive in your culture, work hard and follow your systems to achieve the desired results. Hold your TEAM members accountable through effective, regular meetings.
- 6. Systems** – develop systems and manuals for all aspects of your business and operation so that if any TEAM member leaves or is unavailable, all the experience and best practice is available for the next person to follow. This ensures all subsequent members don't have to learn from their own set of mistakes over and over again.

7. Customers – understand what your customers need and how you will deliver to exceed their expectations. Also understand your competitive advantage and how you will drive that home.

8. Results – record and measure the results and share the scoreboard with all your TEAM members on a regular basis. You are only as good as your last result, so don't bask too long on your successes – get back into further research to drive even better outcomes.

Once you have programmed your satnav for the next three to five years, the point to remember is that each journey starts with a first step. While you are 'in the moment' you need to keep your longer-term destination in mind.

Day-to-day, when you are in your vehicle with your co-drivers, you rely more and more on the feedback from your dashboard to determine your progress, whilst checking your rear vision mirrors to see what you have passed and whether any competitors are coming up behind you.

So if you want your business to succeed, you not only need to develop a plan, but you also need to make it a living document and execute it well by drawing on the talents of your TEAM. They will thrive within a strong culture featuring accountability, rewards and fun. We applied this at Brumby's and drove the companies value from \$6 million to \$46 million in three and a half years. These crucial steps work and you can always make the adjustments to suit your company and apply the parts that fit best.

Michael Sherlock is the former CEO of Brumby's Bakery's. He has currently co-authored the newly released book *Jumpshift!* (www.jumpshift.com.au), which has taken the franchise industry by storm.

Jumpshift! has suggestions on how to drive greater profits through a focus on business outcomes.

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