

ENTERPRISE CONNECT

and Partner Organisation NORTH Link

**Business Review Service
Tailored Advisory Services**

Bi-Annual Report 31 December 2009

This report summarises activities to 31 December 2009. Forty nine companies have successfully completed the program with NORTH Link and received a comprehensive Business Review Report.

The report also provides a range of key statistics, outcomes and benefits achieved by the participating companies.

- Objective of Enterprise Connect
- Industry Sectors Participation
- Top Ten Recommendations from Key Actions
- Best Practice Benchmarks
- Case Studies of Participants

I would like to thank all participating companies for their co-operation and for welcoming me into their place of business.

I hope you find the report and the information beneficial.

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Networking for Economic Development

Incorporating



**NORTHERN BUSINESS
Achievement Awards**
A Forum for Business Excellence

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An Australian Government Initiative



www.enterpriseconnect.gov.au

1.0 OBJECTIVE OF ENTERPRISE CONNECT

Enterprise Connect is a \$271 million Australian Government initiative that delivers practical support to thousands of small and medium enterprises.

Enterprise Connect aims to help Australian enterprises to be more competitive in an increasingly global marketplace through increased productivity, profitability and innovation.

It also aims to strengthen the links between industry and sources of knowledge, including the research sector, by providing access to the latest information and technology.

Enterprise Connect is administered by the Department of Innovation, Industry, Science and Research and uses industry experts and partners to deliver a comprehensive range of services to eligible SMEs.

THE MANUFACTURING NETWORK

Provides manufacturers with access to a range of services to help them become productive and innovative.

One of the challenges of running a manufacturing business is accessing information and assistance regarding the latest processes, technology and market information to help improve efficiency and drive growth.

The Manufacturing Centres address critical challenges facing enterprises. It helps SMEs get expert, tailored advice to improve productivity, build internal capacity and investigate new market opportunities.

WHAT DOES THE MANUFACTURING NETWORK OFFER THE FIRM?

A Business Adviser to:

- Assess business strategy and current operations
- Analyse current business performance
- Identify areas for short and long term improvements
- Assess potential areas for innovation and growth
- Assist firms to access world-class business tools, processes and technology
- Prepare a comprehensive Business Review

The Business Review is provided at no charge to the firm.

Tailored Advisory Services

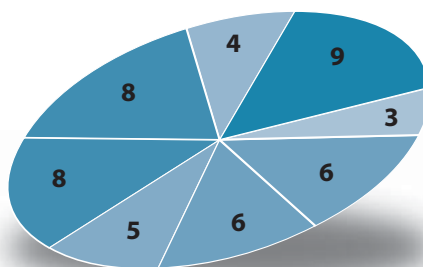
[Grant for Businesses that complete a Business Review]

The Tailored Advisory Services encourages firms to implement the key findings from the Business Review by providing financial support and expert advice. Through Enterprise Connect, the Government will reimburse half the cost – up to a maximum of \$20,000 – to engage consultants to help with implementing the change projects, which might involve:

- Supply chain management
- Lean manufacturing/office
- Strategic business planning
- Leadership and resource management
- New product/service development
- Export strategy
- Business and quality management systems
- Market access and development

2.0 INDUSTRY SECTOR PARTICIPATION

As at 31 December 2009, 49 companies from the industry sectors listed have completed the program.



3.0 TOP TEN MAJOR RECOMMENDATIONS FROM THE KEY ACTIONS OF THE BUSINESS REVIEWS:

Forty nine companies received an average of four major recommendations and are now eligible for Tailored Advisory Service government funding, including:

40 recommendations

for **Financial and Operational Measures** to improve reporting systems, identify key performance indicators and improve business results.

32 recommendations

for **Lean Systems/ Manufacturing Innovation** to optimise supply chains, quality, material flows, stock management, productivity, equipment up-time, preventative maintenance, housekeeping and safety.

24 recommendations

for **Strategic Business Planning** to implement essentials for the future including business assumptions, market trends, capital investments, human resource, succession planning, business requirements, mergers or takeovers.

24 recommendations

for **Leadership Culture** to better communicate policies, values and to establish continuous improvement and innovation.

21 recommendations

for **Marketing and Growth** to explore opportunities for growth including increased market share, new opportunities in new markets and joint venture partnerships.

16 recommendations

for **Human Resource Management** to assess employee development and training needs, retention of skilled people and to create a supportive and cooperative work environment.

14 recommendations

for **Innovation and Technology Strategies** to explore new technology to achieve distinctive offerings, differentiation and unique product/process innovation and international technology collaborations.

10 recommendations

for **Quality Management Systems** to monitor and minimise cost associated with non value-added wastes and to build quality practices into both production and administrative functions.

6 recommendations

for **Manufacturing Resource Planning** to maximise on-time deliveries, customer order entry, material requirements, inventory management, stores and warehouse control and documentation accuracies.

6 recommendations

for **Customer Service and Relationship Strategies** to facilitate more effective communication with customers and markets and to receive customer feedback regarding future requirements.

9	Metal Engineering
3	Textile
6	Furniture
6	Building Products
5	Food and Beverage
8	Chemicals
8	Rubber & Plastic
4	Service and Technology

4.0 BEST PRACTICE BENCHMARKS: what the world's best enterprises achieve

Business and Financial Perspective

- Five year strategic plan
- Annual business financial and operational plan
- Monthly management business performance review
- EBIT >15% on annual sales
- Return on Net Assets >50%
- Return on Total Assets >25%
- Interest cover >10
- Value added as a percentage of sales >65%
- Value added per full time employee >\$140k
- Debtors <35 days collection
- Creditors <35 days payment
- Cash in bank >4% of annual sales
- Sales generated per square metre >\$6k
- Total sales per full time employee >\$220k per year
- Total cost of production <70% on annual sales
- Gross margin revenue >30% on annual sales

Customer and Market Perspective

- Customer growth >25% per annum
- Sales growth >20% per annum
- Percentage on sales from new products >25% on annual sales
- Percentage of export sales >25% per annum
- R&D Innovation expenditure >4% on annual sales
- Marketing expenditure >3% on annual sales
- Sales expenditure >6% on annual sales
- Marketing & Sales Plan
- R&D Innovation Strategy
- International Benchmarking

Learning and Growth Perspective

- Leadership, culture policy
- Directs to Indirect ratio 3:1
- Absenteeism per employee 1 day per year
- Operating with Continual Improvements Teams
- Operating with OH&S 18001:2007
- Employee turnover <5% of full time employees
- Training and development budget >1% of sales

Internal Process Perspective

- World class quality credentials to AS/NZS ISO 9001:2008
- Environmental credentials to AS/NZS ISO:1400:2004
- Customer delivery performance against orders >99%
- Supplier delivery performance >99%
- Capital Investment >5% on annual sales
- Zero accidents
- Operating with lean methods
- Manufacturing and administration PPM defects <200
- Operating with Master Production Scheduling (MPS)
- Operating with Manufacturing Resource Planning (MRP)
- Operating with Sales and Operational Planning (S&OP)
- Overall equipment effectiveness >86%
- Stock turns >10
- Production schedule adherence >96%
- Scrap or yield loss rate <0.2% of sales

5.0 CASE STUDIES FROM SUCCESSFUL PARTICIPANTS

Punch-IT Systems

Punch-IT Systems utilises innovative engineering design methodologies to develop a wide range of new aluminium and steel-based component products, from concept through to manufacturing and delivery. Established in 1999, it employs 10 staff.

Using the R&D skills of parent company Integra Systems, Business Development Manager Erika Hughes explained that Punch-IT Systems focuses on lean, new manufacturing technologies. But the company needed to improve its systems and processes to cope with increased business.

"Recently, we were going through a rapid growth phase and experiencing 'growing pains'. After beginning a strategic planning process, we signed up for the Business Review program and that's when things started to come together.

Paul Smarrelli, Business Adviser for Partner Organisation NORTH Link, came to visit us and spent a few hours interviewing the management team. But it wasn't just an interview. He seemed to magically produce great ideas on the spot. Within an hour he'd given us the tools and insight that we were desperate for but didn't know how to access. He had all the knowledge and expertise that we needed to help us manage our business growth. That session alone was incredibly valuable.

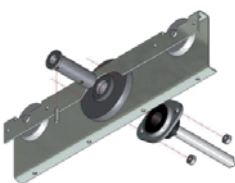
The benchmarking process highlighted where we were different from other companies. We need to improve our supplier and customer management processes and systems, which we were aware of. But some things surprised us. For example, our management structure and labour costs are top-heavy because of our focus on R&D.

We were aware that our premises was too small, but Paul showed us how critical it was for us to move – we'd already exceeded our capacity and needed to start planning a move very quickly. He also helped us to set realistic sales growth targets in specific industry sectors.

The report showed us our ratio of sales per employee compared with the industry average, and that will ultimately impact on our growth. The benchmarking data is valuable both for hindsight and for future planning.

This report will push us in directions for growth that we didn't know we could achieve. Now we have a clear vision for the future, and backup data to make our goals a reality.

Paul has been an amazing support to us and we hope to continue this relationship into the future."



Edlyn Foods Pty Ltd

Edlyn Foods Pty Ltd is a key supplier to the food service industry. They manufacture preparations for beverages, baking products, condiments and desserts, which include toppings, cordials, mixes, chutneys and relishes. Established over 70 years ago, the company currently employs 55 staff at its new facility in Epping.

Moving to a new purpose-built premises was the impetus for Managing Director Andrew Donnelly's decision to participate in the Business Review program.

"We built a brand-new factory that was much larger because we wanted to facilitate growth of our business. It was a challenging time, expanding during the financial crisis, but it paid off. Our growth over the last year exceeded 18%. When we saw what this program was offering, we thought it was a perfect time for us to review our business operations.

Paul Smarrelli, Business Adviser for Partner Organisation NORTH Link, was excellent and very professional. For us, it was a real bonus having a person with so much manufacturing experience providing an independent perspective. It was just what we needed.

The process was very interesting and worthwhile although it was a fair bit of work. We found that while we measure a lot, we don't measure some of the things that Paul needed to complete his report.

Then Paul gave us a full report that measured our business and benchmarked it against other companies, both nationally and internationally.

The report validated our thoughts on what needed to be done. It confirmed some things that we do well, but there was room for improvement too. Paul pointed out that we don't fully utilise our computer-based systems and in some cases we still do things manually. The report emphasised other areas for improvement too, such as marketing and leadership development.

Having expert input has speeded up our response to those issues and we're already developing better methodologies and looking at appropriate training.

Because of Paul's report, we know where to focus our efforts to be a better company.

This is critical for us. We want to maximise our investment in the new premises and streamline our internal processes so that our operations are as efficient as possible. That way, we are setting up the business for the future.

We are very happy that we took part in this project."



5.0 CASE STUDIES FROM SUCCESSFUL PARTICIPANTS

Parr Paints Pty Ltd



Parr Paints Pty Ltd manufactures a full range of water and mineral-based paints for the architecture, house and industrial markets. It also produces backing fabric for curtains and upholstery. This family business was established more than 30 years ago, and has a staff of 15.

A strong recommendation from a colleague led to Managing Director Russell Parr investigating what the Business Review program could offer his company. Today, he's very glad that he took that step.

"We knew that certain aspects of our business needed to improve, and were just beginning a program to cut overheads and look at where the business was going. The Business Review provided us with a great opportunity.

Paul Smarrelli, Business Adviser for Partner Organisation NORTH Link, met with our management team, had a look around our premises and interviewed us at length about our business. He checked our profit and loss statements, balance sheets, and figures relating to purchasing and sales.

To be honest, Paul surprised me with his ability to grasp what our company was about, pick up on issues we had and focus on key recommendations that were specific to our business. I think I was expecting something a bit more generic and I was very pleasantly surprised with the report and its recommendations.

The main recommendation Paul made was for us to reduce the cost of our raw materials purchases. And there were a few ways for us to do that. One is to set a budget for purchases each month and stick to it, monitoring usage regularly. Another impact on raw material purchases is double ordering, which can happen when the office is very busy. We'd like to aim for best practice administration systems so that issue can be overcome.

We also want to get the factory ship-shape, so we've purchased some new pallet racking.

The difference this report and its recommendations will make to our business is that it will make our work practices more efficient. We are now looking at ways to regulate the production sequencing and work flow, which will make a big difference.

I'd certainly recommend the Business Review program to any manufacturer who is keen to improve their business. I was a bit skeptical at first but this program really delivered. It's been great."

Plastic Technology



Plastic Technology is a recycler and manufacturer of low density polyethylene film, tubing and bag products. It turns post-consumer and post-industrial waste into resin, which is used to manufacture plastic sheeting for sale as building and barrier film, agricultural film, and commercial and industrial film. Established in 1986, the company currently has 49 staff.

Colin Holmes, Managing Director, explained that the company's 100% recyclable products had a big future, but the key was to improve operational effectiveness.

"The Business Review provided us with a great opportunity at the right time. We were confident that we had the right model in place, but were keen to have fresh eyes and a new perspective on our business. And we were right. We got a lot out of participation in the program.

Paul Smarrelli, Business Adviser for Partner Organisation NORTH Link, has extensive experience in manufacturing and it showed, particularly in the areas of operational and financial efficiency. When we received his report we were surprised and pleased at his level of understanding of our business and the plastics industry in general.

Paul was very easy to speak to. He explained the process and new concepts in plain English and was clear in his recommendations – there was no jargon. He visited us on site for a tour and to meet with the management team. We started implementing his recommendations the week after we received the report.

The main recommendation that Paul made was for us to relocate part of our recycling business from our Thomastown site to Reservoir, so that all our recycling machines were operating in the same place. This presented us with logistical and staffing issues, which we were able to resolve, but led to significant cost savings and operational efficiencies. Staff are happier, because they don't have to travel between sites for certain shifts, and they boosted their skills sets, with opportunities for multiskilling through consolidated teams. And we are saving the rent on the factory we no longer use.

Internally, we restructured our management team and looked hard at our labour overheads, making savings where we could. As a consequence, we've been able to reinvest increased profits into the business.

It was a very positive and enlightening experience, and we are already seeing the rewards."

Copamate Products Pty Ltd

Copamate Products Pty Ltd manufactures and supplies hard-to-source products for the pipeline, rail, mining, and building and construction industries. The company has been operating for 16 years and currently has 20 staff.

With Copamate Products just emerging from an ownership / succession planning transition, General Manager Jo Hocking was keen to energise her team and seek out opportunities for the business to move forward.

"The timing of the Business Review program was great. We're a fairly young team and we know that it's up to us to create our future. Having an external expert like Paul Smarrelli, Business Adviser for Partner Organisation NORTH Link to help us at this time was a fantastic opportunity.



The process started with giving Paul background material and a site visit, so that he got to know all about our business. Our team then had to collate management reports, financial reports and other information that Paul required to complete the benchmarking exercise. Paul presented us with a

comprehensive report that benchmarked us against other businesses and gave us some key recommendations to improve.

Even though we had processes, nobody knew how to follow them. We are going to employ an external agency to write our processes up for us.

We also found that we need to introduce stronger control measures in finance and administration, as well as key performance indicators in operational areas.

Through this project, we found out about grants and assistance available to SMEs like us.

We are strongly committed to developing new products, new markets and diversifying into other contract manufacturing and engineering services. The Business Review program gave us a real opportunity to improve, to step up to the mark and to go international.

We were very happy with the Business Review. It was very informative. Paul's recommendations will expose us to external assistance that will help our business to grow and succeed."