

# ENTERPRISE CONNECT

*and Partner Organisation NORTH Link*

| Business Review Service | Tailored Advisory Services |

# Progress Report

TO 30 JUNE 2010



Incorporating



This report summarises activities to 30 June 2010. Sixty one companies have successfully completed the program with NORTH Link and received a comprehensive Business Review Report and ongoing services.

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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Enterprise Connect

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An Australian Government Initiative



[www.enterpriseconnect.gov.au](http://www.enterpriseconnect.gov.au)

## 1.0 WHAT IS ENTERPRISE CONNECT?

Enterprise Connect is a \$50 million per year Australian Government initiative backed by industry that offers customised advice and support to eligible Australian businesses to help them reach their full potential.

Enterprise Connect recognises that one of the biggest challenges facing businesses is having the skills and know-how to implement innovative changes in their business.

Through a national network of Enterprise Connect Manufacturing Centres, highly skilled Business Advisers deliver integrated, practical services that help small and medium businesses improve productivity, build internal capacity and capitalize on their growth potential.

### WHAT SERVICES ARE AVAILABLE?

Eligible businesses are matched with an experienced Business Adviser who works with the firm to:

- Understand the firm's strategy and business operations
- Identify strengths and opportunities, including benchmarking against best practice
- Assess potential areas for growth and improvement
- Access world-class business tools, processes and technology.

This is provided at no charge to the firm.

### TAILORED ADVISORY SERVICES

#### [Grant for Businesses that complete a Business Review]

The Tailored Advisory Services grant gives you the chance to engage a consultant/s to make the improvements that your Business Adviser recommended in your Business Review. Through Enterprise Connect the Government will reimburse half the cost, up to a maximum of \$20,000 (excluding GST), to engage the consultant/s.

The types of improvements eligible for funding may include, but are not limited to:

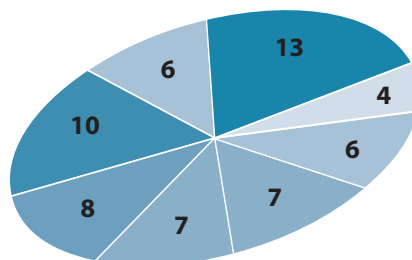
- Supply chain management
- Business and quality management systems
- Lean manufacturing/office
- Strategic business planning
- Resource management
- Waste/resource management
- People and change management
- New product/service development
- Diversification/economies of scale
- Market access and development
- Export Strategy

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## 2.0 INDUSTRY SECTOR PARTICIPATION

### INDUSTRY SECTORS

As at 30 June 2010, 61 companies from the industry sectors listed have completed the program.



13	Metal Engineering
4	Textile
6	Furniture
7	Building Products
7	Food and Beverage
8	Chemicals
10	Rubber, Plastic & Cardboard
6	Service and Technology

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

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

### 50 recommendations

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

### 38 recommendations

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

### 29 recommendations

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

### 29 recommendations

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

### 26 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.

### 21 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.

### 17 recommendations

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

### 13 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.

### 8 recommendations

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

### 8 recommendations

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

## 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 >92%
- Stock turns >10
- Production schedule adherence >96%
- Scrap or yield loss rate <0.2% of sales

## 5.0 CASE STUDIES FROM SUCCESSFUL PARTICIPANTS

### The Sparkling Beverage Company - Campbellfield, Victoria

Managing Director, Steven James 'Post Enterprise Connect Business Review'

#### SEPTEMBER 2008

In 2008 after being referred to the Enterprise Connect Government initiative by Hume City Council, The Sparkling Beverage Co. was keen to receive an analysis from Mr Smarrelli from NORTH Link and gain an objective point of view of their business.

The Sparkling Beverage Co. Managing Director, Steven James, says the business analysis report they received provided great market research, giving them an overview of the industry and boosted confidence.

"The report provided us with the impetus to redirect our business model by broadening our horizons to opportunities and markets we hadn't previously considered. With this knowledge and improvements in financial ratios and operational metrics our competitiveness and market share increased

and a move in the future is essential to bigger facilities within Hume City so that we can further expand our brands, increase production capacities and service our larger customer and market base," he said.

#### JUNE 2010

In 2010 the company has grown rapidly winning market share in the retail stores, hospitality markets, cafes, restaurants and exports with a larger product range of classic carbonated fruit juices and soda water drinks.

"Our three year growth strategy is on target; our present facility in Killara Road Campbellfield will not support future volumes and we are currently in the process of relocating to a larger factory in Somerton Park Road Campbellfield by September 2010", Steven said.

Investment in manufacturing equipment to support future volumes was undertaken with a trip to the USA in February 2010 to purchase large volume production equipment, continuous flow process line and supply-chain systems which are currently being commissioned in the new factory site.

The larger factory and the investment in additional manufacturing equipment will boost throughput production capacity to greater than thirty million bottles per annum.

Employment for multi-shift operations will progressively increase as the production volumes increase.

The Enterprise Connect initiative provided the confidence and the strategic assumptions to expand at this rapid rate in less than two years after the business review.





## NOBODY Fitzroy, Victoria

*Nobody is a clothing business with 34 staff that designs, manufactures and distributes premium denim clothing, predominately fashion jeans, from its Fitzroy headquarters. The company has begun to export and is looking to increase that market.*

With international interest growing in the Nobody brand and a need to capitalise on that interest, it was the perfect time to ensure the business was heading in the right direction. So Managing Director John Condilis was pleased when a local government officer connected him to the Business Review program.

"Our company is now recognised overseas and we're making inroads with our exports. It's an exciting time and we wanted to give ourselves the best possible chance to succeed, so we signed up for the Business Review program.

Our market is mainly fashion-conscious 18 to 35 year olds, but our designs are for anyone who wants to feel good, look good and create their own identity. Last year we made it into a list of the top five denim brands in the world. It was fantastic to get that level of recognition by our industry.

But we were also realistic. International awareness meant more opportunities and we wanted to make the most of them. We knew that there were things we needed to improve. We wanted to identify the issues our business was facing and deal with them. We needed to clearly define our competitive edge, find out how to improve on that and give ourselves the best possible chance of success.

Our adviser Paul Smarrelli, Business Adviser for Partner Organisation NORTH Link, confirmed that we had the basics right but there were things we could do better.

What Paul gave us was an overview of the business, including what was going well, the challenges we were facing and how to deal with each of them. The main focus was lean operational improvements. He mapped out how to streamline our operations by introducing new systems, implementing them and then making sure they were maintained.

For me, the process was fantastic. I've always been interested in business management and Paul was great to deal with. I respected the fact that he's an ex-CEO who really knows what he's talking about. He became a real mentor for me, someone I could have open discussions with and ask questions of whenever I liked. He gave me great advice.

Paul made several site visits and we spoke at least once a week on the phone. Nothing was too much trouble. He made the process very easy. The only challenge for us was in getting the right data together and making sure that it was presented in the best possible way.

The benefits of the Business Review to our company were that we restructured our business to make it leaner and more responsive. We introduced improved business, operational and stock control systems. And we're looking at skills development for all our staff.

Another important aspect was improving our communication processes. Our meetings are now more regular and formal. This makes our managers more accountable and, in turn, we encourage them to inspire and motivate their staff. Paul also confirmed our idea of relocating so that we could enhance our productivity and supply chains.

Improving our systems and the way we do business will help us to increase our market share and be more globally competitive. We're looking forward to growing our business into the future."

*Nobody was provided with a Business Review during 2010 by Enterprise Connect Partner Organisation NORTH Link and Business Adviser Paul Smarrelli.*



## UNIPOD Derrimut, Victoria



*Unipod manufactures expanded polystyrene waffle pods required for building/housing slab construction. It supplies the industry with steel and accessories as well as a wide range of expanded polystyrene products. Established in 2007, the company operates 24/7 and employs 22 full time staff.*

As sales were already on the books, Unipod management had to develop a greenfield site, purchase machinery and recruit staff in record time to meet their deadlines. They managed this successfully, General Manager Peter Sheehan explained, but when the excitement died down it was time to look at the company's operational methods and processes.

"After establishing Unipod so quickly, it was time to re-focus on our capabilities and systems, particularly the introduction of lean manufacturing principles. The Business Review program was a good opportunity for us to get external input into our activities.

The process was really rewarding in a number of ways. It highlighted the extraordinary efforts of our team so far, which is something that often gets forgotten in the day-to-day pressures of work. It also created excitement and motivation among our staff with regard to what we can achieve in the future.

Paul Smarrelli, Business Adviser for Partner Organisation NORTH Link, was a thorough professional with very astute business knowledge. He was able to quickly assess the Unipod position now and pinpoint where we could be in the future. Drawing on his own experience and with industry resources at his disposal, Paul was able to accurately benchmark us on a global scale.

Paul came on site for introductions and a walk around. He outlined the process and the expectations I should have at the end of it. He reviewed our financial performance, and gave me questionnaires and business diagnostic tools so that I could provide a thorough self-evaluation of the business. He then used our evaluations and his own observations to compile a comprehensive report.

Because of Paul's expertise, the whole process was very streamlined and efficient. Being open and frank about gaps in our systems and abilities was difficult at times for us but other than that, the process was clearly defined and proceeded very smoothly.

I learnt that it's important to reflect on progress regularly, as it motivates you to strive for business optimisation. The process we went through with Paul reinforced this and gave us a formal review document, which is the hymn book we can all sing to!

We now have an improved view of where we are in the market, our potential and our ability to develop a sound business strategy going forward. The report also arms me with supporting information to gain directors' approval on change initiatives like increasing staff levels, introducing skill development programs for all our staff, and implementing ISO 9001 quality, OHSAS 18001 occupational health and safety and ISO 14001 environmental management standards.

We've already started a training program for our logistics and production personnel. Our admin officer has been promoted into a newly-created role to drive the implementation of ISO standards. We're also looking at product diversification and widening our range of existing products.

These changes we are about to go through will allow us to optimise existing processes and inject a continuous improvement culture into the business. The end result will be a best practice consistency of performance and customer service."

*Unipod was provided with a Business Review during 2010 by Enterprise Connect Partner Organisation NORTH Link and Business Adviser Paul Smarrelli.*