issue 1 2006

inperspective

INFORMING BUSINESS

Believe and conquer

TNA Australia

Nine roles of a good strategic leader

Creating a winning culture

Accelerating your cash flow

The road to sustainability

ANZ

Welcome to the February 2006 issue of InPerspective.
We have an exciting range of stories in this issue and we are especially grateful to our customers TNA Australia, AB Oxford Cold Storage, Satterley Group, Servcorp, and G&S Engineering who have generously given their time to share their business experiences and insights.

In November Mark Paton joined the Corporate Division as Group Managing Director, replacing Graham Hodges who has been appointed Chief Executive ANZ National Bank Limited New Zealand. Mark Paton joined ANZ in 1990 following ANZ's acquisition of National Mutual Royal Bank. Mark's prior roles within ANZ include Managing Director Trade and Transaction Services, Head of the Food, Beverages and Agribusiness segment within Institutional Bank, and State Manager Business Banking for New South Wales.

In a move that recognises the contribution of family businesses to the Australian economy, ANZ has entered into a 3 year sponsorship with Family Business Australia. In addition to becoming national sponsor of the Family Business Awards programme, ANZ will host a range of seminars and boardroom briefings, presenting on key issues that affect family businesses such as managing growth, governance, strategy and ownership change. We see this as a great opportunity to support this important business sector.

We are also thrilled at receiving the CFO Magazine - Business Bank of the Year Award. This award recognises the proven success of our innovative capital solutions, helping businesses manage their growth aspirations and succession planning.

I hope you enjoy the stories in this issue of InPerspective, and if you have any comments please forward them to inperspective@anz.com ■

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What makes a good strategic leader?

"My job," American computer industry executive Ken Olsen once said, "is to make sure we have a strategy and that everyone follows it."

A simple, powerful job description, but getting everyone to follow is easier said than done. Corporate strategies are not always effectively formulated (some executives don't know what their strategy is) and many leaders in strategic roles are ill-equipped to lead.

One reason for this is that managers who have been successful in operational or functional roles don't necessarily make good strategic leaders. Most people spend their careers dealing with operational issues, yet companies routinely rely on them as they move up the ladder of advancement into strategic jobs.

When the appointments don't work out, the costs of replacement and lost business opportunities can be staggering. According to a recent report, the average price tag on such failed management transitions in Australia is $780,000.

How can high-potential executives bridge the gap from operational to strategic leadership?

First, it's useful for them to know the nine roles of an effective strategic leader, says Robin Kramar, Professor of Management at the Macquarie Graduate School of Management.

These competencies, listed in, 'Grow Your Own Leaders,' a book by William Byham, Audrey Smith and Matthew Paese, are found in the roles of navigator, strategist, entrepreneur, mobiliser, talent advocate, captivator, global thinker, change driver and enterprise guardian.

Surely it's impossible to find all of these attributes in one person? Probably, agrees Kramar, but that's no excuse for senior leaders failing to work on them.

For example someone who's a naturally talented "navigator" – a person who can work quickly through complex information, get to the heart of matters and identify priorities – may be relatively weak as a strategist. This involves an ability to develop long-range plans and goals to align with a company's vision. If they can't master such skills, they should seek help from someone who's strong in the areas in which they're not, Kramar says.

"Leaders need to know their weaknesses, which tend to be most evident when they're under stress. Typical failings among strategic leaders include being risk averse, impulsive and too much of a perfectionist. If you have good self-insight you'll be aware of those negatives and learn to manage them."

Another key competency, 'change driver,' relates to being adaptable, making change happen and helping others to accept new ideas, while 'talent advocate' is about developing and retaining good people.

Knowledge of employees in an organisation and the skills they need to drive it is arguably the most vital attribute, Kramar asserts, especially at a time of labour shortages and 'churn.' Strategic leaders should be able to inspire – to articulate a vision of something big and win hearts and minds to build passion and commitment (captivators). They must also obviously identify and exploit opportunities for new products, services and markets (entrepreneurs).

"Leaders need to know their weaknesses, which tend to be most evident when they're under stress."

If it all seems too much, it often is. That's why an estimated 40% of senior managers fail within the first 18 months of their appointment.

So what should a leader do if they suspect they're falling down in some areas?

Gaining self-knowledge can be achieved via psychological tests, coaching and training programs, suggests Kramar. There's a trend for senior strategic leaders these days to have coaches, experts who can discuss with them areas in which they can improve and supply them with ideas to build competencies. For many, it's a realistic option and one that can genuinely make a difference.

"If they've never thought of it, they should," Kramar suggests. "Being a successful strategic leader involves truly innovative thinking. It's about the unimaginable." ■

Caring, for competitive advantage

Nigel Satterley is 56 but would like to work until he's 100. That should be more than enough time for the Satterley property model to make a constructive impact on suburban lifestyles across the nation.

He's certainly made his presence felt in Western Australia. The founder and Managing Director of the Satterley Group started his business as a real estate agency in 1980. Today he owns WA's largest independent property operation, with a land bank of 36,000 lots that have a retail value of $6 billion.

Nigel Satterley is a developer with a difference which is reflected in his passion for the lowest-returning division in his company - public housing renewal. He believes every Australian is entitled to a life worth living in communities with more open space, playgrounds, quality landscaping with safety in mind and good access to services.

His group (turnover: $550 million) has been involved in developing more than 125 residential estates. The scale of its current urban renewal program is remarkable: five joint ventures with the WA government are underway with more than 5,000 dwellings in public housing estates being refurbished or redeveloped and more than 8,000 lots being created for private sale.

The Satterley formula for mixed private/public housing in attractive developments has delivered what Nigel calls "the heart and soul of good places to live" where quality is a competitive advantage. Design standards are maintained by strict covenants on architectural style and smart "waterwise" gardens.

When Satterley was seeking ways to conduct good market research, he decided to get involved himself. He directly consults with local community groups and goes on doorknocking walks across his estates at weekends. "Some people know me and some don't, but they tell you what's going on, which is terrific," he says.

He tries to lead from the front "like a good captain". The performance of 100 full-time staff is monitored in quarterly reviews, while Nigel himself works six days a week, reserving the seventh for family and another passion, the West Coast Eagles AFL team. His private numbers are in the phone book. "If consumers have hassles they'll ring me, which is good. These people buy our products and most of them part with their life savings to do so; they're placing their hard work in our trust."

The brand is so highly regarded that many customers pay extra to get the parks, gardens and community facilities that come with a Satterley estate and the properties appreciate strongly. Another key to success is long-term relationships with 22 "cornerstone investors".

"We're relationship people," Satterley says. "We're structured like an unlisted public company with all the controls and transparency of a public company."

They also spend around $4 million a year on advertising and marketing in TV, print and signage.

Satterley's ambition now is to expand into eastern states. He has acquired a major asset in Trinity Beach, Cairns, and is looking for the right opportunity in Sydney.

"I aim to find projects which allow us to create something special that people want to buy, so we can make a profit and run a respected business." ■

Nigel Satterley has built a half-billion-dollar business through:

- Developing well-designed, liveable properties that appreciate in value
- Philanthropy and integrity
- Personal interface with customers
- Long-term relationships with investors
- Advertising.

Believe
and conquer

In the early 1980s, Scottish migrant Alf Taylor was working for a multinational snack food company in Sydney when he asked himself why the mechanical bag making machines he was handling were so complex, inefficient and wasted so much product.

He investigated further by talking to contacts in manufacturing about it, but they told him bags couldn't be made any other way. "It's impossible for any machine to fill more than 75 bags a minute," one said.

Taylor wasn't convinced. Manufacturers seemed to be peddling a myth. He suspected that by making slower machines, they knew they could potentially sell more of them.

In 1982, with his wife Nadia, Taylor established his own company, TNA Australia. By 1984 they and their team had designed and built an electronic bagmaker, the Robag, a machine that now quietly and smoothly loads 200 bags a minute.

Its success was built on basic concepts that included a rotary continuous motion and a now-famous 'stripping' action using rotary jaws.

In 1986 the first machine was installed at Smith's Snack Foods plant in Rydalmere, Sydney. Shortly afterwards, TNA received an order from Smith's for another 42 machines.

TNA today designs and manufactures the best-selling vertical form fill and seal bagmaker in the world. It also supplies a range of other products including weighing and inspection equipment. It recorded compound growth of 30 per cent a year since 1990 with turnover increasing from $2 million to around $100 million.

The Robag's creation revolutionised the speed with which factories could package goods, but challenges soon arose, particularly in the international arena. By 1989 Taylor found himself locked in patent wars with international competitors that dragged on for 10 years. They related to one patent in multiple countries, commencing in the UK and followed by Germany and the US.

Despite the new machines' performances, many potential customers refused to believe their eyes. "They wanted to stick with the status quo in case something went wrong," says Alf. He eventually installed machines in some smaller European factories that were prepared to give them a go. It took several years to build reputation and credibility. As companies reaped the benefits the doubters disappeared.

Now his vision is to grow TNA into the biggest supplier of end-to-end packaging solutions in the world. "Some competitors tried to send us broke during the legal wrangling over patents when we were small," he says. "They regret that now. I like risk and I like to win."

Taylor attributes his winning ways to his fierce determination, a never-quit attitude and a love of engineering. It's relatively easy to be a successful manufacturer in Australia if you have the right competitive edge, he says. In his case it's innovative design and the right people.

"Most importantly we need to operate in a country with high levels of education so we can efficiently source engineering, software, electronics, marketing and sales skills. We need such professionals to run our company and we've been lucky enough to have found many of them in Australia."

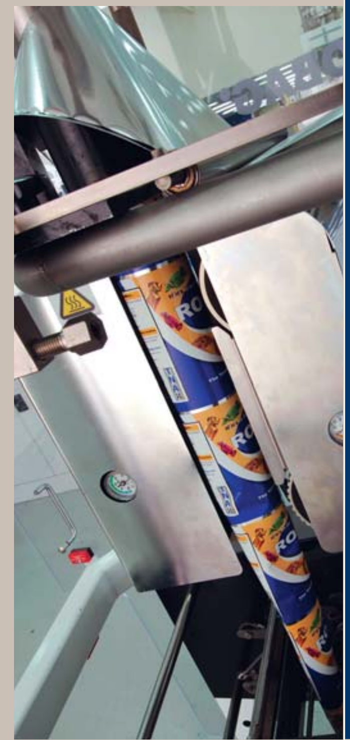
In the past 20 years Australian education has improved dramatically, Taylor says. Criticism about falling standards is misplaced because if it was true companies like TNA couldn't survive. "We outperform our biggest competitors in Japan, Germany, America and the UK. Australia can do more with its 20 million people than other nations can do with 100 million. We must stop talking ourselves down."

TNA employs 175 people, split evenly between the offshore sales offices and their Sydney headquarters and manufacturing site in Melbourne.

> [Taylor attributes his winning ways to his fierce determination, a never-quit attitude and a love of engineering.]

Why the two-city split? One of the start-up team responsible for establishing the factory wouldn't move to Sydney and Alf wouldn't move to Melbourne. But with today's communications it's no impediment. "Melbourne truly is Australia's manufacturing centre so it's a much better place to set up a factory," he says.

In travelling the world, the successful businesses Taylor has observed are those in which employees understand that companies are there for the benefit of all members of the enterprise and their families. He relies heavily on the excellence of his sales staff offshore who believe in the product. They're trained to "underpromise and overdeliver," a process that's helped by the machines' performances routinely exceeding expectations.



Managers should create cultures in which everyone recognises their success is helped by the contributions of colleagues, he says. "If the group benefits then all individuals who are part of the enterprise benefit."

Travelling the world on business to meet customers takes its toll, to the extent that Taylor jokingly refers to his lifestyle as slightly unbalanced.

Still, he's proud of being able to demonstrate honesty and openness in his personal style. Others follow his example. "No manager at TNA will ridicule or diminish someone who's made an honest mistake," he says.

"I'll be the first to put up my hand and admit a mistake and talk to the team about how to deal with it. These are opportunities to learn. You have to sustain that belief system so your people can believe in you. In an environment where they feel comfortable, enjoyment and financial success will follow." ■

TNA has become a leader in global manufacturing by:

- Refusing to believe "it's impossible"
- Dominating a niche market
- Fighting for what it believes to be right
- Maintaining sales offices around the world
- Employing well-educated, professional people to run the company
- Building a culture based on honesty, openness and learning from mistakes.

The road to sustainability

Several corporate social responsibility "cycles" have occurred in the history of industrialised nations. One of the first was the labour movement at the turn of the twentieth century that spawned awareness and new laws about working conditions, employee safety and child labour.

Today's executives can't fail to notice that the concept is more widely accepted than ever. A clearly articulated Corporate Social Responsibility (CSR) policy and program is becoming an integral part of the way Australian companies do business.

That's because there's been a general value shift since World War II, accompanying the rise of sustainability and protection of the environment as key concerns for tens of millions of people, says Dr Leeora Black, Founding Director of the Australian Centre for Corporate Social Responsibility.

Clear evidence of this change is the number of companies appointing full-time professionals to track and manage performance in the area. Investors these days evaluate companies' CSR practices before buying stocks. More and more firms are examining their greenhouse emissions and setting up employee volunteer and community partnership programs.

Corporate social responsibility is especially evident in the rise of sustainability reporting. A survey of 509 top Australian companies last year conducted for the Commonwealth Department of the Environment and Heritage revealed that 116 produced a sustainability report compared with 57 in the previous year. Some 45 per cent of the Global Fortune Top 250 companies now publish such reports (guidelines for global sustainability reporting can be found at www.globalreporting.org, a UN website).

Those numbers may not seem significant, says Black, but they are. "Social reporting is the tip of the iceberg," she says. "It's usually the last in a series of steps taken by a company to consider its social and environmental impacts."

Awareness of the concept may be widespread, but not all leaders fully understand it. CSR is not solely about protecting the environment, as some assume. Genuine CSR accepts that companies must take account of all impacts - social and environmental - of their activities on stakeholders while ensuring the long-term viability of their businesses.

That's commendable, Black says, but there's a caveat: corporate responsibility or sustainability programs must be based on substantive behaviour, not spin. "You can't add up your charitable donations and claim you're socially responsible," says Black. "Stakeholders won't be fooled."

A big potential pitfall for companies embracing CSR, in fact, is stakeholder cynicism, which can occur when promises get ahead of delivery.

A company's first step on the road to a truly sustainable and responsible business is to understand its connection with the community around it, she says. That entails knowing who stakeholders are and understanding the impacts of the business on the community and environment. The next step is to initiate dialogue with stakeholders about their needs and expectations, about what's deliverable and to keep the dialogue open and ongoing. "It's essential to approach this with a spirit of empathy."

> "A company's first step on the road to a truly sustainable and responsible business is to understand its connection with the community around it."

Another ingredient in the mix is ethical behaviour. It requires a system that goes beyond mere compliance, which identifies the behaviour that's expected of everyone in a company. And senior managers need to lead by example.

ANZ, IAG, Westpac, BHP Billiton and Shell are among Australian leaders in corporate social responsibility, Black contends. They've taken time and made big efforts to embed CSR into their strategies and to link it to key performance indicators - and they're getting it right.

Meanwhile CSR will continue to evolve until it's business as usual for everyone, she predicts, in the same way contemporary ideas about marketing, HR and communications management have become accepted.

"It's a journey, and one step at a time is just fine," she says. ■

Marcus Moufarrige, Servcorp.

Serving clients right

When a Melbourne client of serviced office-space supplier Servcorp had to submit a bulky tender document to a Brisbane address recently, he thought he had until close of business on submission day to lodge it.

But soon after 8 o'clock that morning, he learned that Servcorp's client company which had invited the tenders in fact needed the document to be delivered by 9am - in less than an hour's time.

His anxiety was allayed by a Servcorp secretary in Brisbane. She logged him into HottDesk®, a tool that allows clients to print anywhere in the world from their desktops. The 28MB document was printed in colour, bound and hand-delivered in Brisbane with time to spare.

"What can I say other than thank you," the client wrote to Servcorp later. "One cannot help being impressed."

Australia's largest and most successful supplier of serviced office space, Servcorp has been impressing customers for the best part of three decades. Servcorp's HottDesk®, which provides business services anywhere in the world and includes accessing files and email remotely, is just one way in which the company keeps its 7,000 loyal clients happy.

Starting out with half a floor of serviced offices in Sydney's MLC Centre in 1978, the Moufarrige family has, through careful stewardship, created an international company operating 55 floors in 13 countries, turning over $120 million a year and employing 500 people.

Publicly listed in 2000, the company is carving its reputation in service-oriented markets, taking out the award for Best Services Company in Singapore for 2005.

At first, like many businesses, it was grounded in necessity. Born of Lebanese parents in Mudgee, CEO Alf Moufarrige had been seeking office space for himself in Sydney of suitable quality, but couldn't find any.

Eventually he decided that sharing the costs of setting up offices in a good quality building would be cheaper than buying equipment and paying other overheads. At a time when facilities for shared office space were poor he and his early partners opted for quality, like marble floors and smart boardrooms - a policy that continues.

The concept took off, moving to Melbourne, then Singapore in 1987. Servcorp offices are now located in Australian mainland capitals, Auckland, Paris, Brussels, Kuala Lumpur, Hong Kong, Shanghai, Beijing, Tokyo, Osaka, Nagoya and Dubai.

Its offering includes business-to-business communications in addition to physical space in salubrious locales. A fundamental tenet is that if a company employs fewer than ten people, it's cheaper to share the infrastructure, capital and technology with others. And that's true in virtually every case, asserts Alf's son Marcus, who runs the business with his father and brother, Taine.

> "We provide clients with the competitive advantage of first-class support staff..."

"You can work in a fantastic location and it'll still be cheaper than doing it yourself," says Marcus. "We provide clients with the competitive advantage of first-class support staff, a service culture and IT infrastructure that's entirely managed in-house."

IT is a particular strength. Because Servcorp serves an array of different businesses, off-the-shelf solutions don't always fit the bill.

[Servcorp offices are now located in Australian mainland capitals, Auckland, Paris, Brussels, Kuala Lumpur, Hong Kong, Shanghai, Beijing, Tokyo, Osaka, Nagoya and Dubai.]

So the company builds its own phone and other systems and sends Australian engineers abroad to set up and run offices elsewhere. "Competitors try to make off-the-shelf applications work, but the reality is you've got to design them from the ground up," says Marcus.

Innovations don't stop there. Recognising the sweeping changes IT has brought to the way people work in a wireless, globalised world, Servcorp has moved beyond the confines of physical premises and provides a "Virtual Office". This includes services like a receptionist who answers in the name of the client's business, a physical address and stationery for a prestige location, voicemail and SMS services and access to boardrooms and meeting spaces.

The company's biggest and ongoing challenge is perception and it's related to Servcorp's sophisticated image. "Our premises are first-rate so everyone thinks we're expensive," says Marcus. "Yet people forget how much it costs to run a business. Our rent includes a receptionist, electricity, water, newspapers, flowers and other services."

The Moufarriges tackle this problem through word of mouth. They offer a sensible financial proposition during the first point of contact with enquirers and educate front-line personnel to package the information skilfully, so potential clients can understand the advantages straight up. They advertise in the business press too.

Training and staff selection are paramount concerns. Servcorp brings senior personnel to Australia annually for management meetings and new managers are trained in an intensive course at head office in Sydney. When hiring, the Moufarriges seek people who are, above all, enthusiastic. "We often get people from the hospitality industry or straight out of secretarial school," says Marcus.

Having expanded rapidly in recent years, the company is eyeing China as a market, seeking to establish premises in Guangzhou and Shenzhen. "We learned lessons in China," says Marcus. "We were the first of our kind into the country and had to educate the markets there and bring service standards to a suitable international level."

A key lesson was that the international language of business applies everywhere and transcends cultural and language barriers. "If you conduct yourself with honesty and professionalism and back that up with discipline and good systems, local teams adapt to cultural differences," Marcus explains. ■

Servcorp stays ahead of competitors by:

- Offering a value-for-money service based on sharing of infrastructure, capital and technology costs
- Flexible IT solutions
- Innovating to provide new concepts like a "Virtual Office"
- Word-of-mouth marketing
- Training and careful staff selection
- Transcending cultural barriers.

Listen, it's simple

When company leaders are asked which behaviours they'd most like to encourage in their organisations, they invariably agree. They all want a high-performance culture in which employees set challenging goals, are creative and innovative, support and encourage each other and build strong relationships.

Unfortunately the reality is disturbingly different, according to research by global consultancy Human Synergistics. Australasian managers simply don't practice what they preach.

Analysis of 1,215 organisations and more than 50,000 leaders in Australia and New Zealand shows that 76 per cent of executives who want employees to behave in a constructive manner are giving the wrong messages. Their "do as I say, not as I do" approach leads to a "do as I do" mentality, which reinforces defensive and counterproductive behaviour.

The research reveals that the real common cultural attributes in companies include: take few risks so you're never blamed for mistakes, follow rules, compete for management's attention to gain influence, be critical of others and pass on decision-making.

"Our research shows most executives who want employees to work constructively are unwittingly encouraging them to behave in ways that hold their companies back," says Human Synergistics Chairman, Shaun McCarthy.

Consider a standard scenario: at the start of a project the CEO gives his managers and employees encouragement about how the work will be exciting and goals will be reached through effort, focus and teamwork. Typically when they don't reach targets on time, the executive gets anxious, then becomes negative. "Rather than talking in positive motivational terms, they end up saying 'if you don't pull your finger out, we're going to have serious performance issues'," says McCarthy.

"... most executives who want employees to work constructively are unwittingly encouraging them to behave in ways that hold their companies back."

While it's easier to focus on what's wrong than be positive, McCarthy concedes, what many leaders don't understand is that managing through anxiety merely raises anxiety levels in others.

Nine out of ten Australian managers conducting performance reviews forget that their feedback should be a motivating tool to improve performance, McCarthy says. The more negative feedback they give, the more demotivated their staff become.

The belief that you can motivate people through competition is equally damaging. Almost all managers believe that encouraging competition can raise performance levels, says McCarthy, yet there's no research anywhere in the world to support this.

Consider a typical example. "An Area Manager may call branch managers together and put up sales graphs to embarrass the lowest performers to do something about it. That's not motivating; what the Area Manager should do is deal with people individually on ways to reach targets and help them understand what they're capable of achieving."

Solutions to these problems are so simple they're almost trite and changes only need to be small to influence staff positively, McCarthy observes.

By simply listening, showing they believe they want their people to achieve (people overwhelmingly do) and be happy, they can deliver strong results. Yet few managers are good listeners.

Similarly, too few managers jointly set goals with employees "the most motivating goals are those you set for yourself," says McCarthy. "It's a fundamental form of respect to ask somebody's opinion, but Australian managers seem to believe they must make all the decisions."

The more managers involve people in improving an organisation, the greater the motivational value. Good examples of this are companies like Lion Nathan, Vodafone and Mastercard, McCarthy says. Each has put substantial effort into building and developing a constructive culture. In each case their efforts have been reflected in strong recent performances.

"Working people in teams is always sensible, as is sharing knowledge. But the most important motivator is to take a genuine interest in them," he says. "It's that simple." ■

Return to the good times

The economy has struggled to gain traction in 2005. Growth has been quite volatile, with a scant 0.2% increase in GDP in the September quarter following a 1.3% rise in the June quarter. The annual rate of growth has been more stable at around 2½%, well down on the 3½% average through 2004 and the 3¾% achieved on average since the early 1990's recession.

This more sombre economic performance is the outturn of two offsetting influences. On one side is the cooling in housing construction and more muted household consumption stemming from the ending of the house price boom. On the other is the higher business investment and higher business incomes flowing from the global resources boom. Over the past year the cooling forces have predominated, leading to an overall easing in economic activity.

The good news is that this balance will tilt in the direction of stronger growth in 2006. The forces of "cooling" will weaken as investment in dwellings begins to reaccelerate in response to a growing shortage in supply. And the forces of "heating" will intensify, with continued solid business investment, a strengthening in resources exports in response to the expansion in capacity and infrastructure in recent years, and a rebound in rural exports on the back of a return to more normal production conditions. GDP growth will accelerate from 2½% in 2005 to 3% in 2006 and 3½% in 2007. The potential rate of growth of Australia is now probably no more than 3 to 3¼% (it is difficult to be precise but our estimate is calculated as the sum of labour force growth of 1½% and labour productivity of 1½%). So the projected rebound in growth over the next two years will return Australia to the good times – or at least as good as they are likely to get!

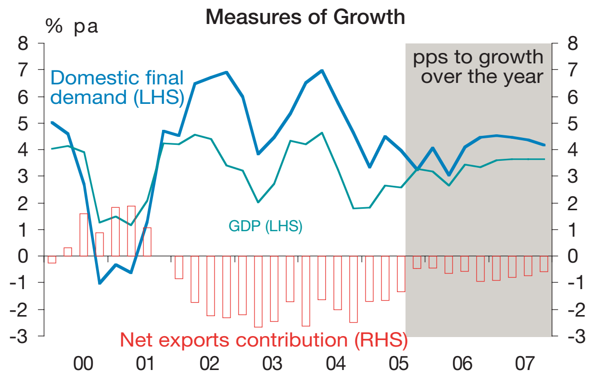
The Australian equity market is already enjoying the good times. Buoyed by record profits in the mining industry, the Australian ASX 200 has risen by 40% since the start of 2004. This has made it one of the best performing stock markets in the developed world.

Employment growth will resume in early 2006 in response to strengthening economic activity, particularly as housing construction rebuilds in response to emerging shortages of housing stock. In the interim the unemployment rate is likely to edge a little higher.

The sting in the tail of our thinking is that our projected acceleration in growth will inevitably be accompanied by further policy tightening by the RBA. With the economy already operating close to capacity, and with headline inflation already at the top of the target zone, the inflationary dangers from an acceleration in growth are more intense. Going forward, the RBA will be seeking to cap growth at around potential. As a result we believe the RBA will lift interest rates by a further 25bps around mid year, taking the cash rate to 5.75%. This can be expected to flow quickly through to mortgage and business interest rates.

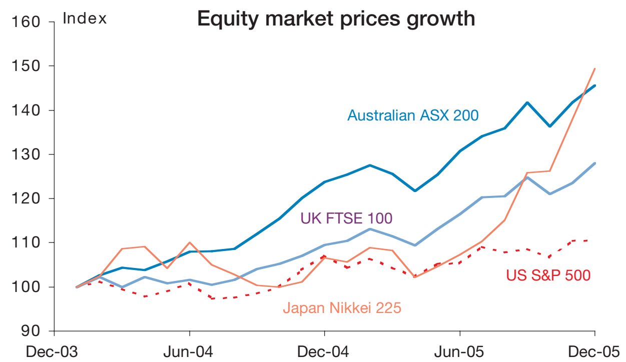
Tony Pearson
Head of Australian Economics, ANZ ■

Growth to rebound in 2006 and 2007.



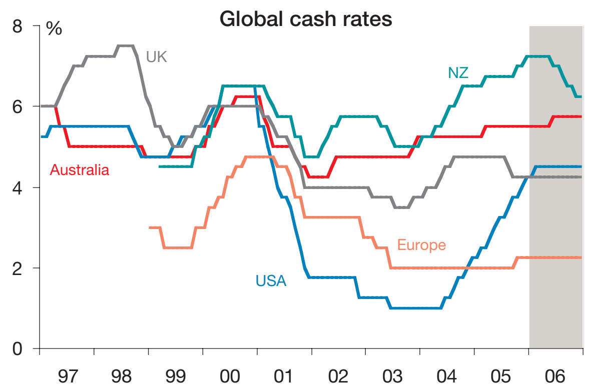
Sources: Australian Bureau of Statistics, Economics@ANZ

Australian share market is strong.



Source: Bloomberg

Australian interest rates to rise again.



Source: Bloomberg

Cold Comfort

Selling space and chilled air has been at the heart of the Fleiszig family's livelihood for more than half a century. Their company, AB Oxford Cold Storage, employs three generations of the same clan whose bonds of loyalty and, funny as it may seem, judicious handing out of lollies have helped to make it the largest privately owned company of its kind in Victoria.

The early days weren't easy for Laszlo Fleiszig who arrived in Melbourne in 1950 with a young family and full of hope. Destitute, having been stripped of his assets by the communist regime in Hungary, Fleiszig worked tirelessly to build a new life and a successful business from scratch.

Now 87, he remains active in AB Oxford along with ten other family members, generating revenue of $40 million a year and managing 20 per cent of the outsourced cold storage space in Australia.

"My father's a person of the highest integrity," says Gabor (Gabby) Fleiszig, Laszlo's son and Joint Managing Director. "He's always worked hard, paid his debts on time and when he gives his word he sees it through, even if it means sustaining a loss."

The Fleiszigs own the largest single site cold storage operation in Australia with capacity for 100,000 pallets for clients like Nestlé, McCains, George Weston Foods and Fonterra. They are also a Therapeutic Goods Administration-approved cold store in Australia and provide cold chain logistics services for pharmaceutical company CSL, handling products like vaccines and other pharmaceuticals.

The company moved into cold storage in the late 50s to cater for the poultry business Laszlo started soon after arriving in Melbourne. A natural entrepreneur, he began to let spare capacity to other food companies. As demand increased he reinvested in more space. Though each investment involved substantial risk, each paid off and his operation soon became an integral link in the state's supply chain.

"Our competitors often wouldn't have spare capacity because they build only after securing firm agreements," explains Gabby. "Every time we filled our existing space we tended to build more."

This advancement wouldn't have been possible without flexibility. "We're not a public company so we can make big decisions quickly when we're on the move, even in the corridors on occasions," says Gabby.

When Fonterra recently needed airfreighted products to be accommodated and handled with special equipment at short notice, for example, AB Oxford agreed and made the necessary resources available immediately.

The company does not rely on conventional advertising to sell its services, preferring referrals from satisfied customers, networking and an ability to respond quickly when tenders open or opportunities present. It has invested heavily in specialised handling technology but also has a strong IT capability, with customised software for every customer.

So successful have the IT offerings been, that the Fleiszigs have made them commercially available to the wider business community. "We don't force customers into existing programs that may be an uncomfortable fit," says Gabby.

"We're not a public company so we can make big decisions quickly when we're on the move, even in the corridors on occasions."

"We tailor solutions provided it makes commercial sense and there's continuity of business."

Like many companies with a long history, AB Oxford has seen profound change. For much of its early existence it provided storage for the meat industry with significant effort devoted to Middle East exports. Difficulties associated with that market saw the company becoming a more broadly based chilled and frozen food operation about ten years ago.

"We used to have bulk stores only, but since the mid 90s we've constructed racked stores," says Gabby. "We now stack pallets seven high

"Contractors often ask why workers are always smiling in AB Oxford's warehouses, Gabby says.

It's easy to see why."

using highly specialised equipment, and meat accounts for only 10 per cent of our business."

The Fleiszig's corporate culture is inclusive, with some of the best recruits coming from small businesses because they're more likely to be multiskilled.

The company works hard to foster a family atmosphere which is why many of the 300-odd workers are related, having joined on the recommendation of relatives already employed. The Fleiszigs enjoy great staff loyalty and the attendant benefits that brings. Some employees have been with them for more than 20 years. Two non-family members of the management team have 23 and 29 years experience, having started as labourers. Training programs are ongoing and older workers are actively encouraged to stay on.

This philosophy is embodied by elder statesman Laszlo, who greets staff every day on his rounds, shaking hands, asking about their families and distributing lollies, a much-appreciated quirk.

"We like them to feel happy and part of the enterprise," says Gabby. "We know everyone by name and we're always available to listen, because we care. When they need help with difficulties unrelated to work we give it to them. People who feel wanted tend to do their best on behalf of the business."

Succession planning includes cousins and nephews and the third generation of Fleiszigs, some of whom have been with the business since their early teens. All have a strong work ethic, Gabby notes. While family ties bind, there's broad recognition that these must be supplemented with education. Among the Fleiszigs working in management are a CA, three lawyers and several IT experts. ■

The Fleiszig family have achieved success by:

- Displaying integrity in their operations
- Taking risks and being flexible
- Using market intelligence to win new business
- Tailoring services for individual customers
- Developing an inclusive work culture.

Riding the revolution

A global revolution is changing how marketing happens, who does it and even what gets marketed, says Professor Mark Gabbott, Head of the Department of Marketing in the Faculty of Business and Economics at Monash University. CEOs who understand this can profit from it.

"In the past marketing was focused on selling things," says Gabbott. It used to involve changing products and prices to enhance customer appeal, designing promotional campaigns or altering places of distribution to increase sales. Not any more.

"Now it's more comprehensive. Many products have no price or physical presence and marketing objectives are more varied than just sales. It could be about improving community health, gaining votes for a political party, creating awareness or more responsive employees."

Ironically, as marketing's focus becomes wider, it's killing off Marketing Departments. Marketing is now embedded throughout organisations - in logistics, retail distribution, customer service. And it's internal as well as external: a large warehousing operation may well have a marketing person focused on how to improve service for the rest of the organisation.

In Australia, Gabbott admires what Virgin, Coles and banks like ANZ are doing.

Are there common elements that help such companies ride the marketing revolution? "They've invested in developing the brand and in what the company stands for," says Gabbott. "The Virgin brand was well known in Europe for a long time. The question was, what would it stand for in Australia? They invested in factors that were true to their message. Like fun, flexibility, youthfulness, innovation, breaking the mould and being slightly irreverent. All of those served the brand well."

The revolution won't stop, he predicts. Marketing is moving from products and services to experiences. Starbucks is an example. The margin on coffee beans per cup is about one cent, but if you create the kind of experience Starbucks offers you can get a margin of \$2 to \$5 a cup.

Does marketing still play a big role in selling? "Absolutely!" says Gabbott. "There's an old business saying about 'feeding the dog.' Bottom line is, along with relationship marketing, communication, customer training and all that stuff you've still got to feed the dog." That means making sales.

Professor Gabbott has this advice for CEOs seeking a competitive edge:

Provide leadership on company/customer touch points. When an organisation and customer come into contact, what actually happens? Provide leadership on what those touch points should look like and it will percolate through your organisation.

Treat customers as partners, not revenue streams. Nokia, for example, uses customers to help it design new products. As for services, Gabbott points to recent research from Europe. "If you take satisfaction with a bank at 100 and a customer called the bank because there was a problem, their satisfaction dropped to 98. If the bank called them because there was a problem, their satisfaction went up to 110. That can make quite an impact."

Whatever you're promising, deliver. "Think about your brand . . . can you truly deliver what you're promising? If it's great service or fantastic products, you've got to deliver those."

Set clear, measurable outcomes for marketing. Sponsoring a sports team may go down well with your mates, but it's only delivering real value if it impacts upon the bottom line and you can measure it.

Seek new ways of communicating. Gabbott points to Yellow Tail wines, which have had massive success in the US. "Their success was built around, firstly, their brand, but also public relations and in-store marketing. There was no big advertising campaign. It's a different way of approaching the market.

"Customers are communicating through Blogs (Web logs), chat rooms and forums and you need to know them too."

Accelerating your cash flow

Invoice Finance - an alternate working capital finance solution that allows your business to convert trade debtors into cash either during times of accelerated growth or when you need more funding against your existing Balance Sheet assets.

"Businesses are now waiting an average of 56 days to be paid by trade debtors, compared to an average of 48 days in 2004", says Trevor Morris, Head of ANZ's Invoice Finance. This additional delay in payment is limiting cash flow and significantly restricting working capital available for reinvestment into the business".

Businesses who find themselves most affected by overdue trade payments include the manufacturing, wholesaling & distribution, transport and personnel placement industries. Seasonal peaks can also place pressure on cash flows and with the increase in time customers are taking to pay their invoices, businesses are often fraught by working capital limitations. Despite businesses having effective management ability or sales opportunities, many are not reaching their full potential due to difficulties accessing the working capital funding needed to fund their business cycle. With pressures on cash flow and less capital to invest back into the business, maximising success during times of accelerated growth remains challenging.

Invoice Finance is increasingly becoming a popular choice with many medium and larger sized Corporates. In 2005 this working capital finance solution experienced a significant 31 per cent growth rate throughout Australia. Invoice Finance enables a business to access a higher level of funding against the debtors of a business.

ANZ recognises that running a business is challenging at the best of times (even more testing during a period of rapid growth) and that not all business requirements can be satisfied by traditional banking finance (such as overdrafts and commercial bills). Working capital cycles, fast growth and/or the higher gearing levels inherent in many successful businesses can limit their access to traditional funding. ANZ Invoice Finance offers businesses a structured working capital solution that accelerates cash flow by linking funding to the current level of sales rather than past performance, and can offer immediate cash on up to 85% of outstanding invoices (subject to meeting ANZ's credit assessment criteria).

Can ANZ Invoice Finance assist your business?

Do you...

- Need more working capital funding?
- Have acquisition opportunities?
- Need to free up equity/security?

What are the benefits for your business?

Greater level of funding

By providing a greater level of funding than is available using traditional finance options, ANZ Invoice Finance can offer immediate funding on up to 85% of outstanding invoices

Accelerated cash flow

By providing your business with greater flexibility to access working capital when you need it, your cash flow cycle is accelerated with immediate access to funds rather than having to wait for debtors to pay (usually 30 to 90 days)

Focus on running your business

By introducing a customised funding solution that reduces cash flow concerns you can focus on more important issues - optimising the opportunities for your business especially during times of accelerated growth. ■

For further information please contact your Relationship Manager or an ANZ Invoice Finance Specialist on **1800 241 552** (available 8am to 5pm EST) or visit www.anz.com

Empowering staff leads to a winning culture

Managing Director of Queensland-based G&S Engineering, Graham Smith, is an old hand at riding the waves of boom and bust in Australian mining and industry. This time round he has the biggest boom he's ever seen on his hands, along with a skills crisis that's left Australia with a shortage of tradespeople that he estimates at up to 20,000.

It's a challenge Graham Smith has met with eyes wide open. More than 18 months ago Smith started expanding his skilled workforce at G&S Engineering to prepare for the best of times. He is attempting to boost his cohort of 38 apprentices to more than 50 before the end of this financial year. Ten years ago he set up shop with just six.

G&S provides asset management services to clients in heavy engineering, manufacturing, construction and maintenance. Working out of Mackay, Queensland, it employs some 600 boilermakers, fitters, riggers and electricians to build, repair and maintain plant and equipment.

"For years, particularly in mining, the training and development of apprentices was an obligation that industry felt it couldn't support," says Smith. "But I've always believed continuity and good conditions for people are essential."

G&S has been lucky, he admits, because in some ways its business is bust-proof. When times are tight, industry boosts outsourcing for maintenance and repair services, so the company does well in those periods too.

G&S Engineering has recorded an average annual growth of 29 per cent since 1995. Turnover then was $350,000; this year it's approaching $120 million.

Smith owns 50 per cent of the company and has previous experience as managing director of another engineering firm. In good times and bad his best advice to managers in a tough, demanding industry is to retain the best people to deliver the best work. "We have many initiatives to attract them, including our own recruitment group," he says.

They're needed now more than ever. The engineering services business has never seen demand at current levels. The coal sector is exceptionally strong and there's an expanding number of infrastructure projects in power, oil and gas along with much work in ports, property and the defence industries.

Ensuring employees are happy helps to attract and develop a winning culture, because good people do good work. "The biggest challenge for any manager to achieve this is to remove impediments to the freedom of staff to do their job better. We ask our people doing the job to look for a better way."

In a 24-hour industry marked by driving deadlines and high levels of stress, this concept of staff empowerment is a critical component in G&S Engineering's mission to build a workforce willing to go the extra yard on behalf of clients.

During recessionary periods there's no alternative to long hours, but in good times Graham Smith delegates and devotes himself to strategic planning. His idea of a perfect day at the office? "I've got at least six senior people who shine instead of me - they enjoy it, they're growing - and I like to make that possible." ■

G&S Engineering fuels growth by:

- Operating in a "bust-proof" industry
- Careful planning
- A strong apprenticeship program
- Ensuring employees are happy
- "Going the extra yard".

Too much work
can damage your success

We are working longer hours and work is invading our private lives as never before. Yet only 35% of Australians take all the leave they've earned, according to a recent poll. Five percent of people - one in 20 - take none of it.

Does this mean companies get more bang for their salary buck? Far from it, warns Gayle Brereton, Head of People Capital, Corporate Division at ANZ. Accumulated leave is something CEOs should take, and take seriously. It can bring extensive financial and legal liabilities, even expose a company to a higher risk of fraud. That's aside from the personal cost to the health and family life of employees and CEOs themselves.

"You want people who are energised, who can come up with ideas and solve problems," says Brereton. "If they're tired and stale they won't do that consistently and creativity in your organisation will suffer."

The financial cost to companies can be high. Accrued leave effectively provides a retrospective pay increase. "Every time someone gets a pay rise your accrual cost for annual leave goes up," says Brereton. "If your company pays a loading on top of that then obviously the cost gets even higher."

Untaken leave can also inhibit succession planning. Ideally when people go on leave there's an opportunity for another person to step up and demonstrate their capabilities and provide the added benefit of career planning and motivation for staff.

Brereton points to several reasons people don't take leave, among them:

Social life: Traditionally workers had a nine-to-five mentality and would go home and interact with friends and family. Today much social interaction happens at work so many people don't feel the need to be away too long.

Leaner organisations: Companies often don't have head count to spare, so staff feel indispensable, says Brereton. "They believe nobody can service their customer as well as they can. Reality says that's not the case but it's a perception individuals may have."

Concealed problems: "If someone hasn't taken leave for a long period, it can expose the company to risk- not necessarily that they're fraudulent but that you should perhaps examine the role a bit closer," says Brereton. "It opens up the job to a second pair of eyes from a compliance and regulatory point of view."

Here's what CEOs should do to achieve a sensible leave policy, she suggests:

- Give line managers guidelines that allow them to manage leave effectively. There will always be cases where people want to hold over leave to get married or go overseas, so you need flexibility. But clear policies on minimum leave should be in place. Check the legal requirements for your State.
- Be a role model. Research shows executives are the worst for not taking leave. What's that saying to their people? Leaders need to break down the myth that you must always be at work.
- Presence doesn't mean performance. You can't assume everyone is doing a good job because they're at work all the time. Measuring performance on output as opposed to presence is a cultural change senior managers need to effect.

Brereton concludes: "If you ask people whether they want more time for their families they say yes. But when you ask why they don't initiate work/life balance, they can't answer.

"What's holding them back is a perception that you have to be seen to be at work because everyone else is. Leaders have to take accountability for that, and break the nexus." ■

Partnering with the Community

ANZ is continually working to develop a culture that values making a sustainable contribution to society. In 2004/2005 ANZ invested $8.67 million in community initiatives, including almost $2.37 million in financial literacy and inclusion programs that have already directly benefited thousands of Australians.

The measurement of ANZ's community involvement follows guidelines established by the London Benchmarking Group (LBG) whose model is the emerging standard for measuring corporate community investment programs and is used by almost 100 leading international companies. Some of the key community programs include:

Community Giving - 28% of Australian staff donated money to 18 community partners through Community Giving programs where ANZ matched staff contributions dollar-for-dollar (up to $1,000 per person). Overwhelming donations from ANZ and staff included a $1 million donation to the Tsunami relief effort via World Vision.

Saver Plus - ANZ has provided $1.1 million in matched savings for more than 700 low-income families, a joint effort by ANZ and the Brotherhood of St Laurence. Under the scheme, participants receive financial education and $1 from ANZ for every dollar saved. ANZ has committed a further $3 million over the next three years to deliver Saver Plus to 3,000 more families.

MoneyMinded - Australia's first comprehensive adult financial education program enables financial counsellors within community organisations to help those facing financial hardship to make better judgements and more informed decisions about their money. In 2004/2005 MoneyMinded was able to reach close to 5,000 participants and in 2005/06 the program aims to reach a further 15,000 participants.

MoneyBusiness - ANZ and the Australian Government have partnered to help build money management skills and a stronger savings culture among Indigenous people. ANZ will adapt its matched savings program, Saver Plus, to 300 families in remote communities in the Northern Territory and WA.

ANZ's volunteer leave policy reflects ANZ's support for employees who choose to become involved in providing volunteer services to community organisations. During 2004/2005, 3,336 or 18% of Australian staff contributed more than 24,000 hours as part of ANZ's Volunteer program, which provides employees with eight hours leave each year to complete volunteering activities of their choice. Some of the most recent local community activities include:

Comic Relief - over 500 ANZ staff volunteered their time on a Sunday night to take donations over the phone at ANZ's Australian Contact Centre during Australia's first Comic Relief television fundraiser for Oxfam. Comic Relief uses comedy and laughter to get serious messages across with the aim to end poverty and social injustice.

UNICEF - ANZ and UNICEF have recently joined forces to raise hundreds of thousands of dollars for the world's neediest children. Recent fundraising activities include the ANZ NSW & ACT Corporate Golf Day, and fundraising at the Grease Arena Spectacular concerts and V8 Super Car events. ANZ also continues to support UNICEF's COINS FOR KIDS program whereby people can donate spare foreign coins and notes at any of ANZ's three Bureau De Change branches - 96 Pitt Street Sydney, 100 Queen Street Melbourne and Melbourne Airport. All funds raised through these programs will help UNICEF's lifesaving work in the Asia Pacific region.

ANZ is continually providing its people with opportunities to support the organisations that are undertaking important, innovative work throughout the community. ANZ's vision is to extend current involvement in community programs and volunteering activities, to make a difference to those who need it most. ■

unicef

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