

Alan Hargreaves

RECHARGE



Lessons to **revitalise yourself,**
your team or your business in
60 minutes or less

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For my father

About the author

Alan Hargreaves has spent 35 years in financial services and business consulting. His approach to management is highly effective, yet inspiringly simple. It focuses on real issues rather than strategic principles. His innovative mix of personal and collaborative action brings immediate traction.

After completing an economics degree at the University of Sydney, Alan worked for 20 years in international finance. He has built businesses in Hong Kong, Singapore and New York. Since returning to Australia in 1998, he has managed his own private investment trust.

Alan has excellent presentation skills and has worked extensively with business audiences through both radio and television. His private equity and advisory services span IT, media, property, finance, communications and retail. He is regularly engaged as a speaker, consultant and mentor. His passions are business, boats and breeding horses.

Acknowledgements

This book has been a long time coming. It is the result of support and encouragement from an enormous number of people over many years. Some are family and business colleagues; others are consulting clients or friends. Many are both. Some, like my mother and father, are no longer with us. I thank them all. Collectively they provided the experiences and support that enabled me to conceive the project and finish it, even if they don't know it.

In particular, I owe a debt to my monthly think tank: David Norman, Bob Burns, Kris Barkway and David Turner. They prompted the idea. Thanks also to those who read the manuscript and gave such great feedback: Yvonne Collier, who does not have the word 'negative' in her vocabulary; Sean Urquhart,

who pointed out sins of omission in sections on finance; and to Greg Power who made me feel that I actually understood some things about marketing.

A conversation with Andrew Griffiths was the turning point. He inspired me to carry on with the project when I was almost ready to shelve it. He also introduced me to my agent, Carolyn Crowther, who had the temerity to suggest I try to publish it, and who helped me turn some turgid copy into what I hope are now readable chapters. My copy editor, Robyn Wilkie, introduced me to the idea of grammar—a concept I found quite novel. She deserves thanks for her perseverance, as do all the members of the editorial team at John Wiley & Sons.

None of this would have happened without my family. And my family would not have happened without Lesley, my wife and partner of 40 years. No editorial slouch, she has the ability to spot a typo at 20 paces. She also has the uncanny knack of suggesting alternative phraseology without destroying my ego in the process.

Nonetheless, any shortcomings that remain can only be ascribed to me. The first draft is now a long way behind. The extent to which this book is an improvement on the original is thanks to all who have so graciously assisted me in the process.

Introduction

How good does it feel when your business hums? Or when your career is on a roll? There's a real excitement. The train has left the station and you are on it. You may not know where it is going, and even that is exhilarating. You don't mind turning up at all. You look forward to the next day before it has started. The mood is infectious. Your colleagues are pleased to see you walk in and you are glad to be working with them. You love your team. They like your energy and your stream of new ideas, even the stupid ones. They have plenty of ideas too. All of you know that you are building something together. There's continuous action and a sense of momentum. That's what a fully charged business feels like.

How's yours? What action are you taking to get on that roll? It doesn't take a major strategic overhaul to start moving. You are surrounded by opportunities to recharge your business. You just need to look.

I learned this in a car park. When I was halfway through hitchhiking around Australia, I was parking cars in an abandoned warehouse in Adelaide. Our 95 car spaces were full from Monday to Friday, but on Saturday we'd be lucky to fill 30. The boss, known as 'Old Jack', decided to take off Saturdays. He had me run that shift and have Mondays off instead. The Saturday shift was a drag. I hated it. Yet it was here I learned one of the first rules of business: it works better when you're busy. It doesn't really matter what the action is, just take some. The shift will be shorter if you do.

I offered to wash cars. I told Jack I'd split the proceeds 50:50 with him. He was okay with that and I needed the cash. From then on, I asked everyone who drove in if they wanted a wash. Not much happened, but when I put a sandwich board out the front, things started to build. That was a little bit exciting. I wondered what else I could do. I asked some regulars about the Saturday problem and they told me our weekend prices were too high. I told Jack we could probably fill more spaces if we lowered our prices. He said to give it a go. The next week our sandwich board advertised in large letters our 'Shopper's Special'. Because of the car wash and the price change, our Saturday numbers started to creep and were soon over 50.

Then more people wanted car washes, and we were becoming backed up. I told Jack, and he offered the weekday staff a weekend washing shift. They needed some extra dollars too. Once we did that, things started to hum. More people came in for the wash only, and we charged a higher price for that. I started to look forward to Saturdays. Our target was to fill the car park. We kept score on a blackboard. I smiled

every time a customer drove in. I still remember the day we reached our target. We had to create space for a few more cars by cleaning up the back alley and having an old wreck towed away. Jack was happy. He still didn't have to turn up on Saturdays and he was making more money. So were we.

What had happened? Nothing more than a little action. We didn't call any of these things 'initiatives'. I didn't suggest to Jack that we diversify our product offering, or tell him that our customer focus group recommended we realign our pricing structure. We didn't review our fixed asset base and eliminate legacy items to free up resources. No-one suggested we introduce an incentive element into the remuneration policy or explore new avenues in display marketing. We just took a little action. That led to more action. Gradually everything started to lift.

That's what this book is about: taking a little action. Sometimes that can lead to very big actions, and to projects that hum louder than a rock concert. But you won't achieve this without taking the first step.

That's what I did in Adelaide. I had partied too hard in my first year of university, failed three out of four subjects, lost my scholarship, crashed my mother's car and dropped out. Of course, I thought I was a legend, but I knew my batteries were low. I needed a recharge and I found one at Jack's parking garage. Action created action. A few months later I left Adelaide, jumped on a freight train and headed west to the nickel boom. By the end of the year I had saved enough to return to Sydney and re-enrol in university. This time I sailed through.

Do you need a recharge? Most people do. I know I have to shake things up every couple of years. Some of the most talented people I deal with manage to stagnate every now and then. They include gifted entrepreneurs who have created great businesses but suddenly lose momentum when they have to *run* the businesses. I also know brilliant salespeople who have

advanced from head of marketing to managing director in a flash, but then stall. What do they do now?

They can start by reading this book.

It's very easy. There are 52 chapters. That's one a week. You can read and digest every one in less than an hour. Each chapter points to an action you can take to start moving. There's no complicated management-speak. Just plain English and simple ideas you can put into practice with a minimum of fuss. *Recharge* is for people who run their own businesses and are serious about success. It is also for people who run someone else's business and are serious about their careers. It was written to stimulate action. As economists tell us, the best way out of depression is stimulus. It's the same in business management. Start with the first chapter and start now. It's time for action.



‘Recharge yourself’ sets up your management platform. Simple processes will help you get on track and moving forward. They will clear away dysfunctional elements in your working environment and give you a clean launching pad for taking action. You will identify your own strengths and will be challenged to use them firmly and effectively. You will learn strategies to boost your standing both within your industry and within your firm. You will be prompted to collaborate with others in ways that leverage your management skills. Step-by-step instructions will guide you through handling difficult situations, giving you the clarity, strength and openness to handle the broad range of issues this book addresses.

1

Mission, strategy and action

Does anyone know why businesses work?

Great effort goes into business thinking, yet little seems to change. Businesses still open and close. Major corporations are deemed excellent one decade, but decline in the next. Last year's best practice is quickly eclipsed by the latest trend. Some studies say most new businesses fail within five years.

What actually makes a business work well? Plenty of commentators claim to have identified the essential ingredients of business success, whether for large corporations or for smaller enterprises or for both. Is any of this information really useful? And if it is, just how complicated does it need to be?

In *The Halo Effect*, Phil Rosenzweig's critique of business theory, we find notions that have become accepted benchmarks for achieving success. The list includes lofty and often commendable phrases: 'customer focus', 'entrepreneurial culture', 'clear vision', 'flawless execution' and 'performance orientation'. And there are glib slogans that now seem permanently parked in management terminology: 'sticking to the knitting', being 'hands-on', 'managing by walking around' and even setting 'big hairy audacious goals'. Rosenzweig's view is not so much that all these clichés are incorrect or ineffective. Rather, they are either the characteristics you would expect to find in a successful business, or they are business practices that a successful corporation can afford to implement. Or possibly both.

The point is that many businesses aim for, and actually achieve, practices that incorporate these ideas, yet not all of them are successful. In other words, the authors of many business classics have simply examined successful

organisations and listed their characteristics. However, it is important to remember that correlation is not causation. That is, just because successful firms *have* these characteristics, it does not mean those characteristics *made* them successful.

There seem to be an enormous number of businesses that have succeeded in spite of themselves. In some cases, it's thanks to forces outside their control. In others, it's due to developments that could not be foreseen, let alone identified well in advance in a strategic plan based on business theory. However, a common element of successful businesses is a preparedness to take action.

Anyone who has read Richard Branson's autobiography will know that the creation of Virgin Records was hardly a carefully planned sequence of events. At times, the Virgin empire seemed to lurch from one crisis to another. But, crucially, the firm was prepared to take action—often quite drastic action.

All that most businesses—successful or otherwise—appear to have in common is that they:

- ⇒ started a business (Branson began with an unprofitable student newspaper)
- ⇒ were reasonably well organised (questionable in Branson's early days)
- ⇒ got on with the job (probably Branson's strongest suit).

Too simplistic? Not really. These are three very simple prerequisites to turning your vision into business success. First, you have to actually get started—you have to put your vision into practice. Second, you have to plan your business so that the mission can be achieved. In other words, you have to be reasonably well organised. Third, you have to take the necessary actions to implement the plan. It doesn't mean you will be successful, but it ensures you will implement something—and that something will be operating in the market when (or if) success comes.

Success rarely follows a formula. Timing and luck will always play a part. This is what business risk is about. You may be able to take steps to curb the risk of a change in conditions, or, alternatively, to take advantage of it. But you cannot eliminate it.

How do you find the right perspective?

Cut through the jargon by looking at the basic components of a business. There are shareholders (who provide the money), directors (who decide on the plan) and managers (who implement the plan). In a sole proprietorship, you are all three. In a large corporation, you might be one or two, and sometimes all three. Whichever hat you are wearing, you need to be clear about your role. Start with shareholders.

Shareholders: the mission

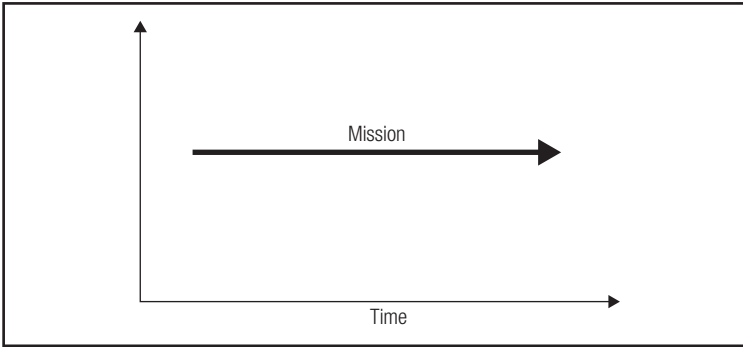
Shareholders provide the mission, and it is simple: to optimise returns for shareholders over time. The vision may be anything. It may be to invest in green products. It may be to plough all profits into preferred industries. It may even be a not-for-profit business if that is what the shareholders want. The mission, however, is to optimise the return they want.

The mission does not change. In the figures 1.1 (overleaf), 1.2 and 1.3, it is represented by the thick, black line. In the last few centuries, it hasn't shifted. It is constant over time and will continue to be so in the future.

A lot of effort is devoted to designing fashionable mission statements. It can be time well spent. But these statements are more to do with the culture of the firm, or strategies to fulfil the mission—things like 'being the preferred supplier in sector M' or 'maintaining best practice in quality management'. They are all useful, but they are secondary to your mission. For our purposes, your mission is a given. Even if the environment in which you operate is shifting dramatically, your mission is

unchanged: it is to optimise the return for your shareholders over time. You may be the only shareholder or there may be many. But the mission remains the same.

Figure 1.1: shareholders' mission



Directors: strategy and planning

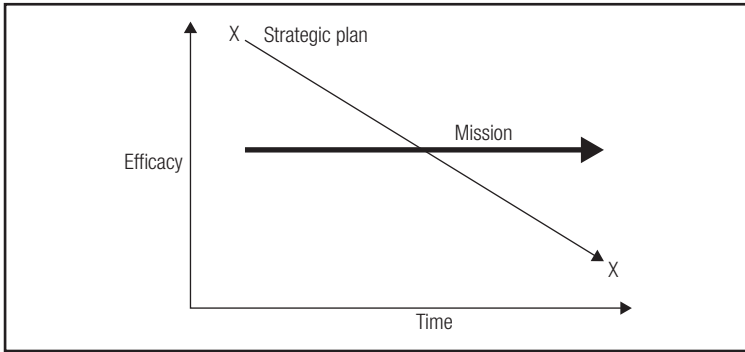
That brings us to strategy and planning. This is where it can become messy. Planning how to achieve the mission can be confusing. There are strategic plans, business plans and implementation plans. All are useful. You cannot go to where you want to be without a road map.

Directors sit in the middle. There is creative tension here. On one hand, they have to work on behalf of shareholders to develop a strategy to fulfil the mission; on the other, they have to work with managers to produce a business plan that implements the strategy.

Let's be clear about the difference between the *strategic plan* and the *business plan*.

Strategy is about the big questions: Where is the business heading over the long term? How should it adapt to expected changes in the business environment? What core values should sit beneath its method of operation? These are all important issues.

The problem with strategic plans is that they are often slow to change. In a dynamic environment, the use-by date

Figure 1.2: shareholders' mission and strategic planning

of a strategic plan starts approaching the moment the plan is completed. Unlike the mission, these plans have no inherent longevity. Over time, and as the business environment changes, the efficacy of the strategic plan—its ability to fulfil the mission—gradually decreases.

The line XX in figure 1.2 (overleaf) shows this relationship. Firms evolve. They don't remain static. They adapt or die. Strategy has a place, but it needs to be dynamic. The directors need to maintain a strategic dialogue rather than stick rigidly to a view that exists at only one point in time.

In the meantime, you have to run the business and maintain its performance. That is where the business plan comes in. It is necessarily more flexible, because if something is not working, you need to change it quickly. It is still a road map, but it must be capable of making detours. The more straightforward the plan, the more effective it will be. Directors can't work in isolation here. They need to collaborate with managers to create a business plan that is motivating, achievable, robust and flexible.

It need not be complicated. Most businesses are simple. They invest an amount (capital) to set up operations to create a product or service at a cost, then the product or service is sold to a target market. This is the case for any business, large or small.

The business plan then needs to address each step:

- 1 How much capital will be needed and how will it be applied?
- 2 What operations and people need to be put in place?
- 3 What are the qualities of the product or service?
- 4 What will it cost to run the business?
- 5 Can enough of the output be sold at a price that covers the costs?
- 6 Who is the target market and how will you sell to them?

If you wish to spend more time on this, your search engine will guide you to numerous free templates for putting together a plan. Most will address the above list in one form or another. In any case, a guide to preparing one is available at <www.alanhargreaves.com>. At this point, however, we are more concerned with prompting management momentum rather than planning for it. It is why you have to be reasonably well organised rather than highly organised. This brings us to the manager.

Managers: implementation and action

Business plans need to be theoretically stress-tested, but they are usually common sense. Most managers have a clear idea of what needs to be done. The main use of the plan is to clearly specify the tasks that have to be carried out, by whom and by when. Few businesses move from A to B in a straight line. Management decisions along the way ensure that plans are implemented and momentum is maintained.

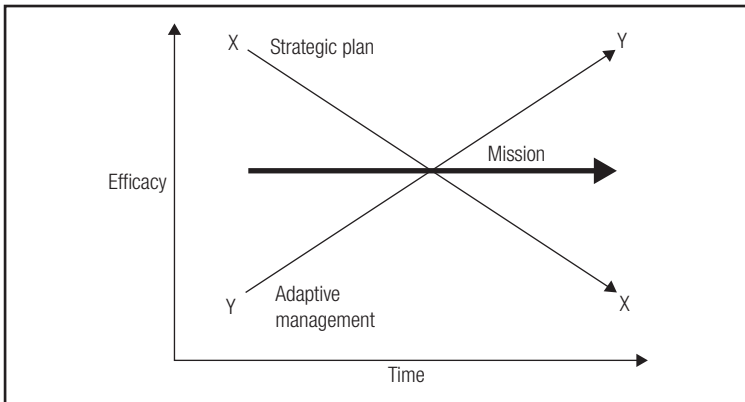
That is why the primary focus of this book is on managers. These are the people at the coalface. They know what the mission is. They know what the plan is. They have to make it work. To do so, they have to be dynamic and creative.

Rather than sticking rigidly to a static plan, managers have to be highly adaptive. The importance of this ability

to adapt and take action is shown in the line YY in figure 1.3. The role of management action does not decrease over time. Rather, it becomes more important. Richard Branson may not be the perfect role model for your situation, but his strength in this area is a core element in Virgin's success.

Unlike strategic plans, managers can respond quickly. Their role is at a premium when the environment is shifting. It is essential that they are able to see the whole picture. That is why this book takes a holistic view of the firm. Managers need to understand the key principles behind the entire spectrum of business operations and be ready to act appropriately. You may not have any experience in marketing, but you need to know its basic principles. The same is true for finance or running a team in an area you know nothing about.

Figure 1.3: mission, strategic planning and management



Remember the roles

Across their careers, even possibly at the same time, most managers will be required to wear all three hats—shareholder, director and manager. Regardless of where you are now, keep

a clear view of what is required of each, because they all impact one another.

- ⇒ As a *shareholder*, you need to be clear about what you expect from your investment. Regardless of your vision, you want an optimal return on your shareholding. Even if you are the only shareholder, you need to know what you want that return to be and over what time horizon. If you are not a shareholder, understand that return on investment is still the mission. You will be rewarded by the extent to which it is fulfilled.
- ⇒ As a *director*, you must develop the firm's strategic and business plans. The strategies reflect the mission; the business plan implements the strategy. The plans must be manageable, and the managers must be empowered to manage. You are responsible for this either as a sole director or as a member of a board of directors.
- ⇒ As a *manager*, you have to implement the plan. The more flexible, imaginative, action-oriented and knowledgeable you are, the more likely it is that you will be able to bring together the mission, the plan and its implementation. The successful firm requires all three. Figure 1.3 illustrates the balance of these elements.

In the next chapter, we will start to take action. But before we go there, do this simple exercise.

Try on each hat. Sit on three different chairs if you like. On the first—the shareholders' chair—spend a few quiet minutes understanding and acknowledging the central importance of the mission and what it means for your business. On the next—the director's chair—think about the strategic and business plans you are charged with creating. Visualise their achievement. On the last—the manager's chair—think of yourself as an action figure. How will you handle what lies ahead? You are the one who is going to make this happen.