

Strategies for Business in the current VUCA world

BANKERS' BOOT CAMP

2020



Speaker



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Housekeeping

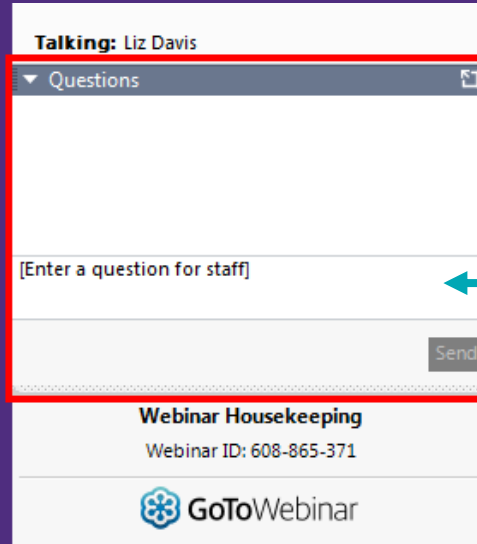


This is an interactive session so we encourage your participation



This session is being recorded and will be shared with all registrants and on our GTAL website and socials.

How to ask questions?



Submit your questions via the Questions panel

Agenda

1. VUCA
2. VUCA Antidote
3. Business of Today
4. Business of Tomorrow
5. Key Takeaways
6. Q & A



“

The greatest danger in times of turbulence is not the turbulence. It is to act with yesterday's logic.

Peter F. Drucker

”

- **Globalisation, the rapid pace of change and increasing uncertainty was already affecting all businesses in 2019.**
- **COVID 19 has simply amplified the speed of change and created a VUCA world for all businesses.**
- **Change is the only constant in this world**



VUCA World

VOLATILITY

UNCERTAINTY

COMPLEXITY

AMBIGUITY

VUCA Antidote

VISION

UNDERSTANDING

COURAGE

ADAPTABILITY

Leading in a VUCA World

Vision

clarity of vision to be able to navigate their way through the uncertainty and complexity

Understanding

in-depth understanding of the various factors that impact outcomes

Courage

leaders need more courage and compassion than ever before to step up to the challenges

Adaptability

range of strategies and plans which could be put into practice

As we all know

Many businesses...



Don't have a clear strategy or vision



Never had to navigate changes in a VUCA world



Don't have the management team to support them.



Need an outsider to challenge them, support them and to work with them

Today, we will share some strategies / “ideas” for you to challenge your clients

Challenge for your customers

To optimise the
Business of Today
while also developing the
Business of Tomorrow

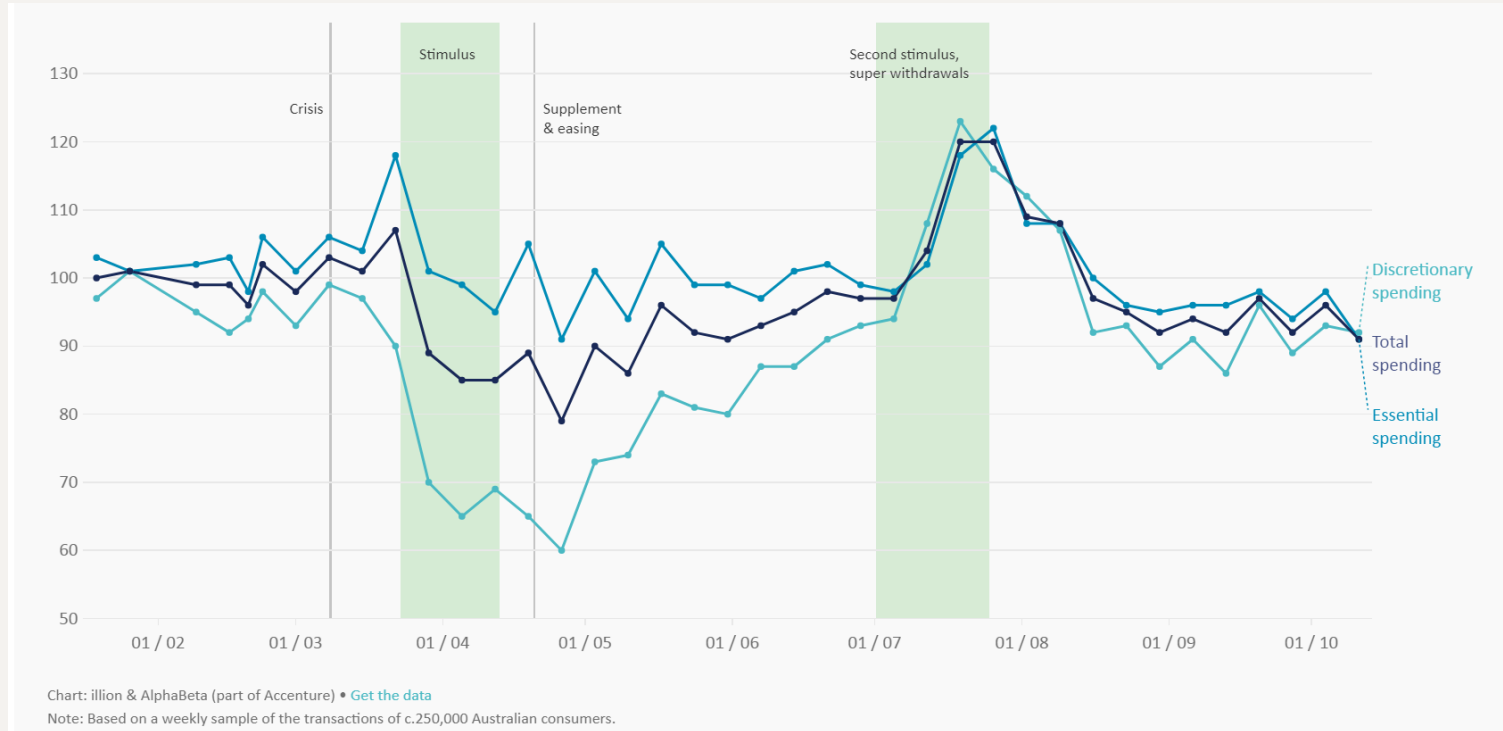


A dramatic sky with dark, heavy clouds and a bright orange-red glow, reflected in a body of water. The text "Calm before the storm" is centered in the image.

Calm before the storm

Riding the Stimulus Wave

The injection of funds into the market through Government stimulus and early access to superannuation has increased consumer spending despite recessionary conditions.



Environment



Government Stimulus



Banking Deferrals



ATO Deferrals



Payroll Tax relief



Property Code support



Protection from Insolvent Trading

Headwinds



State Borders



International Tourism



Recession



Unemployment



Consumer behaviours



Business Confidence



Government regulation



Supply chain shock



Exchange rates



Online



Economic War



Vaccines

“

You can avoid reality, but you cannot avoid the consequences of avoiding reality.

Ayn Rand

”



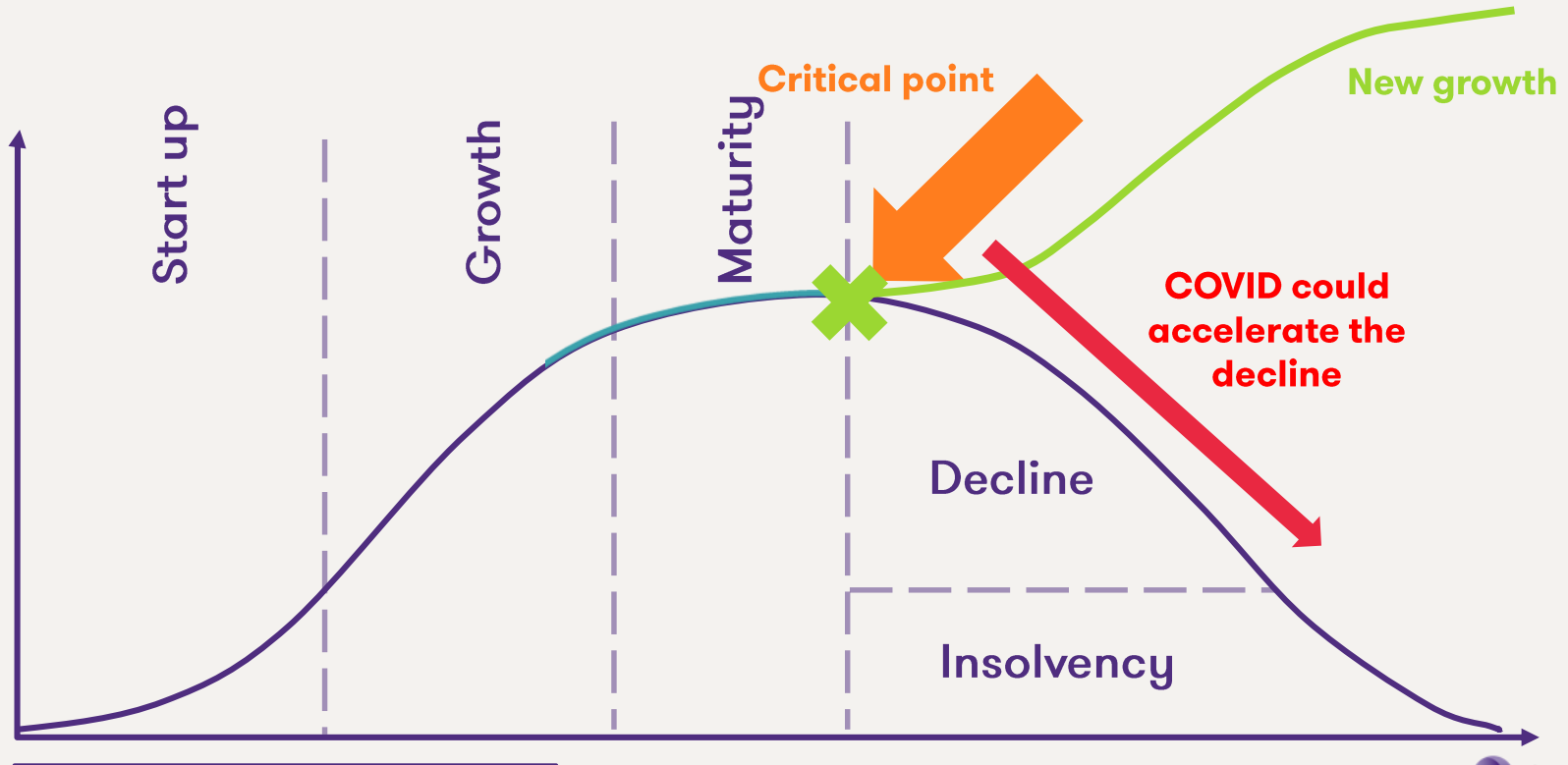
To survive, thrive and grow, business owners should:

- Strengthen the core business today
- Restructure their operations for the future
- Focus on growth

A blurred background image showing several hands pointing at a document on a table, suggesting a collaborative business meeting.

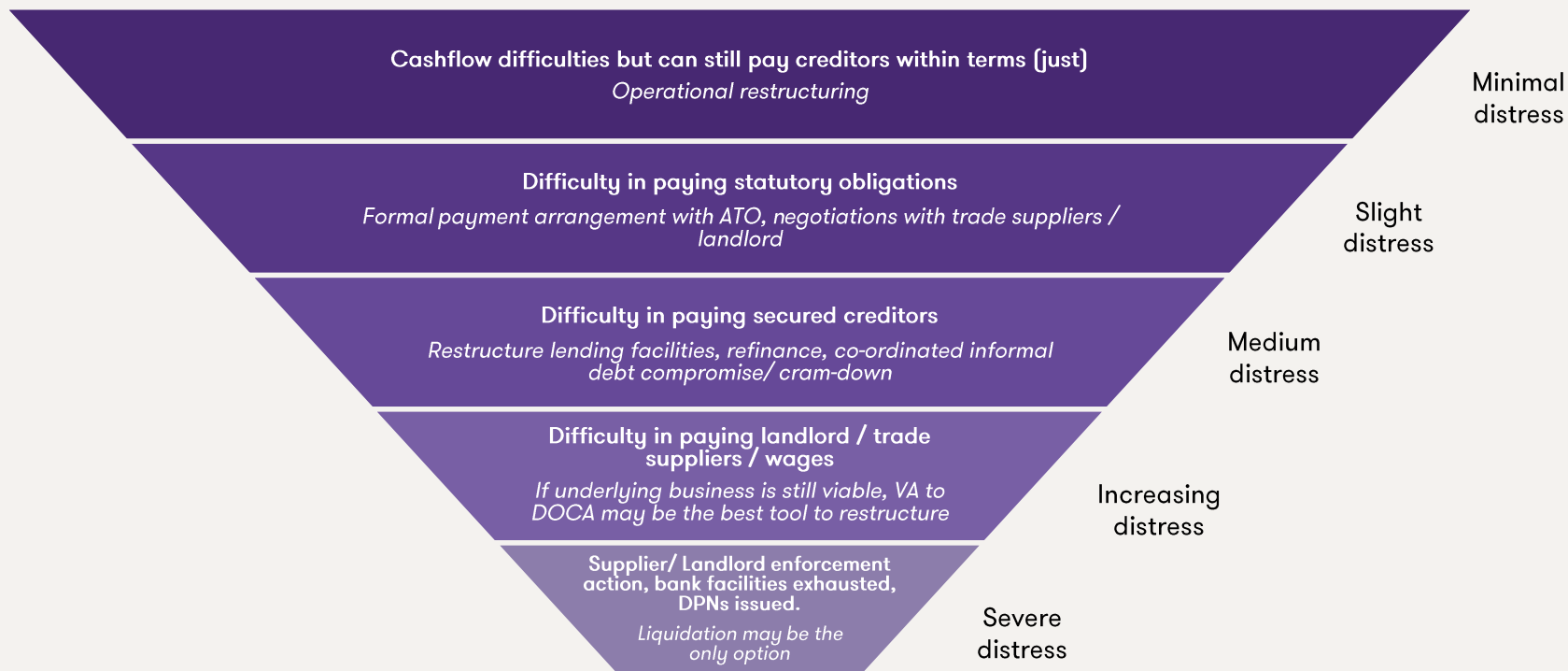
Business of today

The business cycle



Early negotiations are the most fruitful

The more severe the stress, the less tools are available to protect a director's personal assets and restructure a business



Optimise the business of today



Clear Strategy (“Vision”)



Continuous Improvement Mindset / culture



Understand what our competitors are doing



Analyse business drivers



Courage to make the tough decisions



Tighten controls on spending authorisations



Zero based budgeting



Prepared for Multiple Events / Scenarios



Sell non-core / surplus assets



Reduce working capital required



Right funding structure

Act Now to Restructure and Grow

Optimise the Profit of Today



Price analysis

Products and product mix review

Relevance to customers

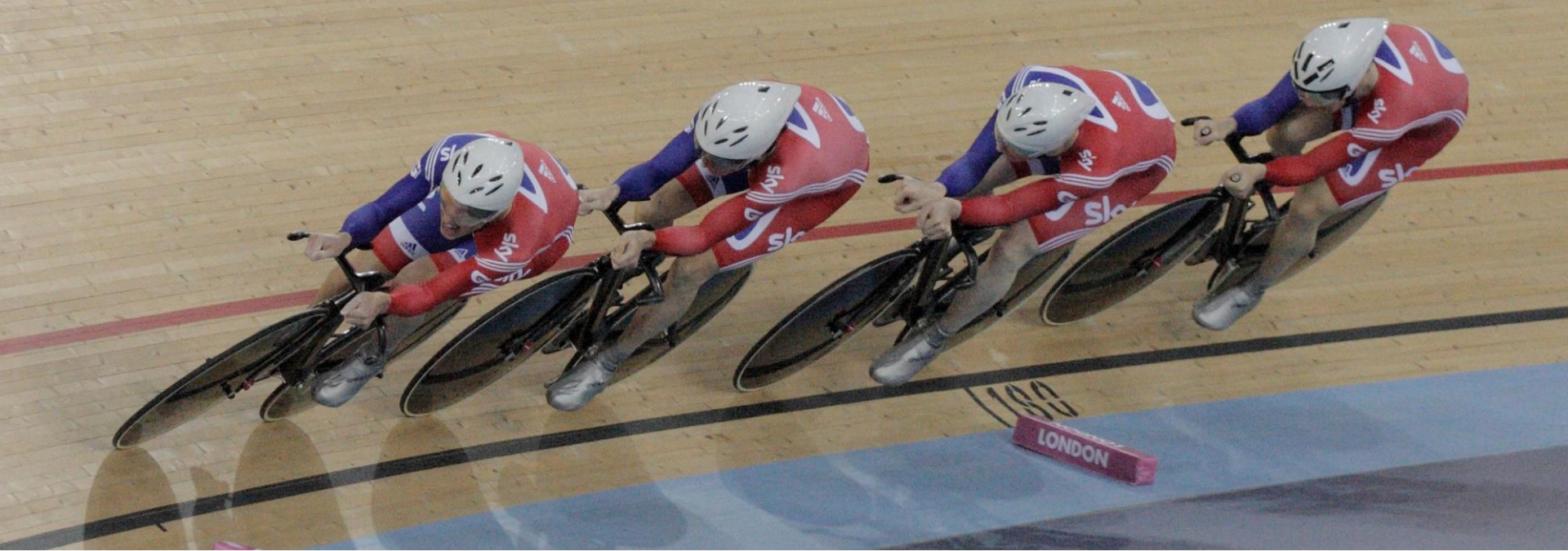
Sales volume analysis

Renegotiate with key suppliers

Increase business efficiency

Sharing economy

Zero based budgeting



"If you break down everything you can think of that goes into riding a bike, and then improve it by 1%, you'll get a significant increase when you put them all together."

Imagine if you improved **every** aspect of a business by 1%

Marginal gains – the one percent

	5% Profit	Do both!
Revenue	\$20,000	\$20,200
Costs	\$19,000	\$18,810
Profit	\$1,000	\$1,390
Impact on Profit		39%

Movement (%) in 8 months to 28 February 2020

- Sales ↓ 15%
- GP (\$) ↓ 9%
- GM (%) ↑ 8%
- Operating expenses ↓ 21% (\$3.15m)
- EBITDA % sales 2% → 11%

EBITDA % of sales	FY19 2.3%	FY20 11.4%	FY21 14.5%
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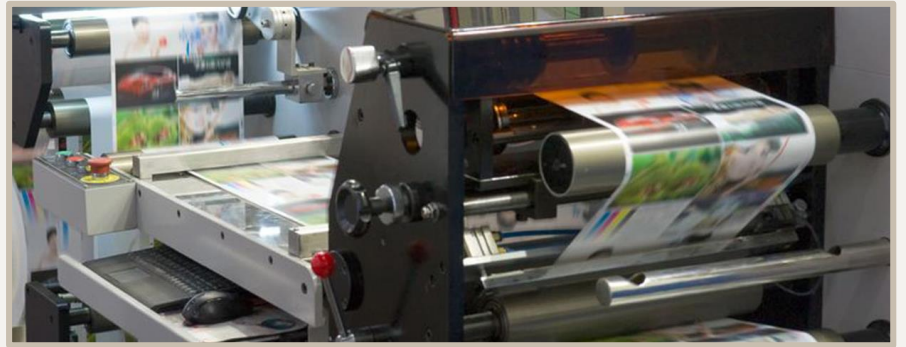
Automotive dealership



Event business



Wholesaler



Printer

Retailer \$45m turnover

- Directors viewed appointment as option with shut down potential
- **48 hours away from collapse**
- Major player in sector
- **Net profit - \$100k current year**
- Placed on hold by suppliers
- Urgent funding of \$2m
- ATO repayment plan - \$800k
- Secured debt - \$22m

Key Issues

- Excess inventory (\$2m+ surplus)
- Wrong product mix
- Poor controls
- Forecasts lacked detail
- Too many employees
- Employee incentives not aligned
- Management issues

Outcomes

- Clear strategy
- Changed product mix to match customer demand
- Business drivers identified, margins improved
- Employee incentives improved
- Renegotiated debt structure
- Right sized the business
- Tightened controls





Fixed Mindset



Growth Mindset

“

Only when the tide goes out do you discover who's
been swimming naked.

Warren Buffett

”

Business of Tomorrow

It can be difficult for business leaders to stop and take a broad, strategic view of where they are, and where they want to be.

Finding the time and resources to focus **ON** the business rather than working **IN** the business can prove impossible.





Zooming in...





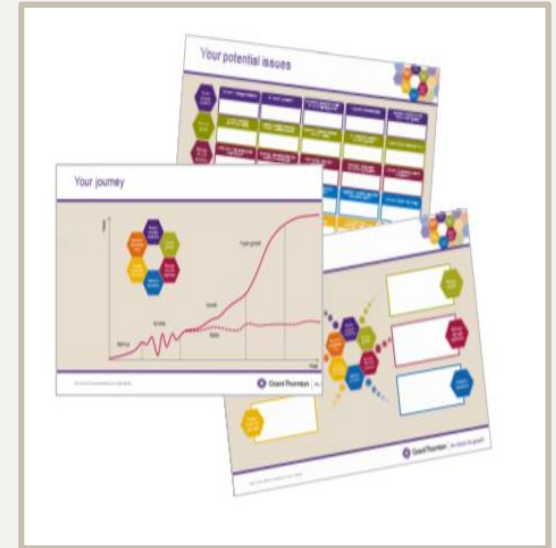
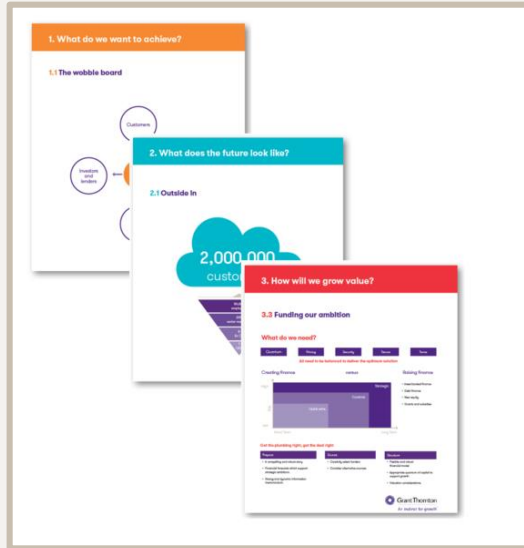
... but you need to zoom out and take a strategic view

Future thinking – Questions for customers

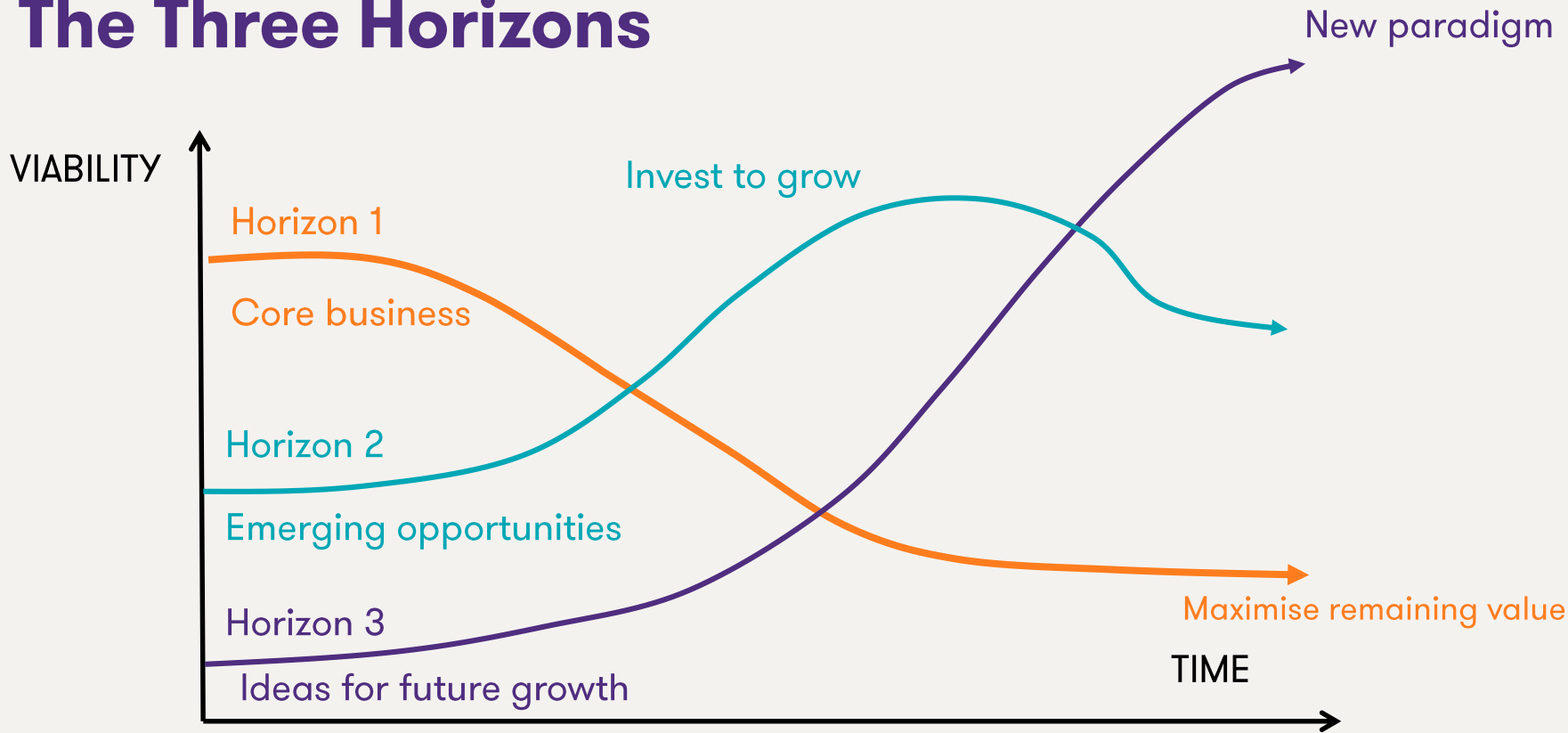
- Where do we want the business to be in 12 months?
- Where will it be in three years?
- If we started the business today, would it look the same?
- If I wanted to launch a business to completely disrupt the market, what would I do?
- Who are our non-customers, how can we help them become customers?
- How would you use more funding to grow?

CEO Room | The Owner's Room | 6-Box Model

At Grant Thornton, we have a number of tools we use with our clients



The Three Horizons

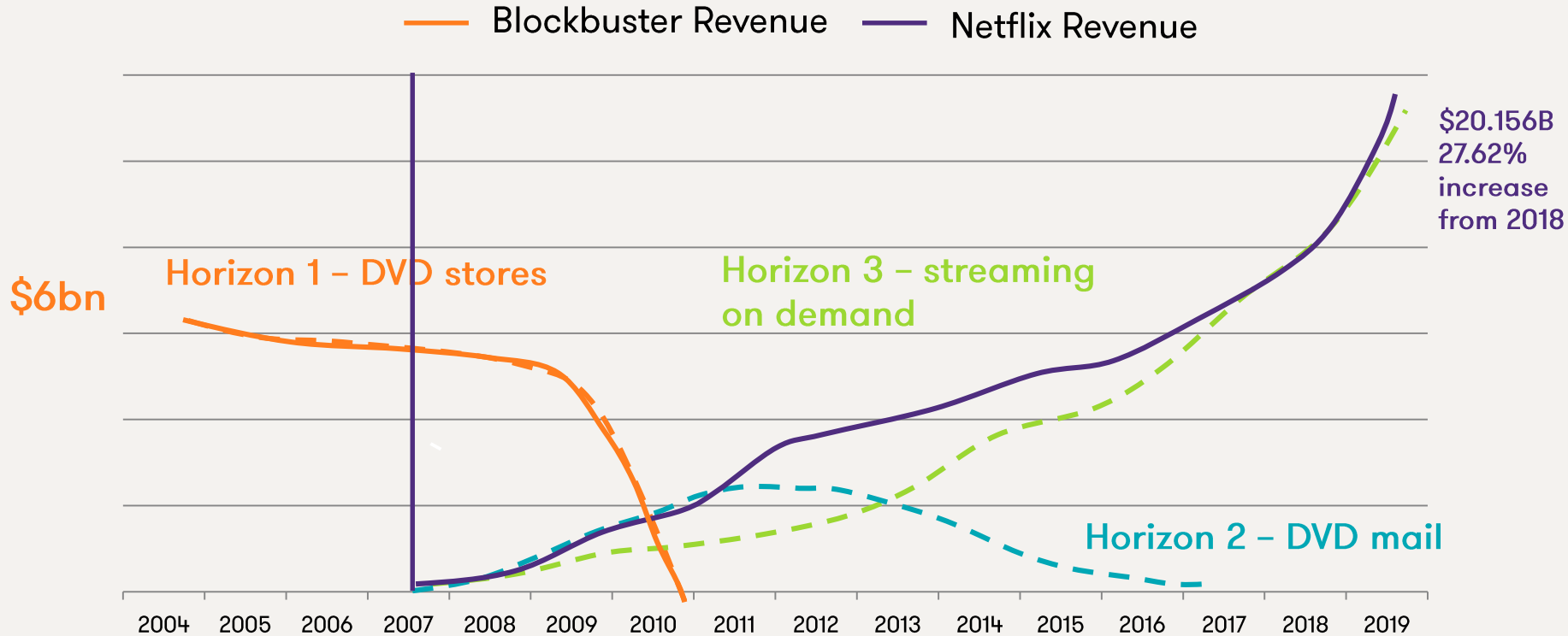


Businesses must manage along all three horizons concurrently

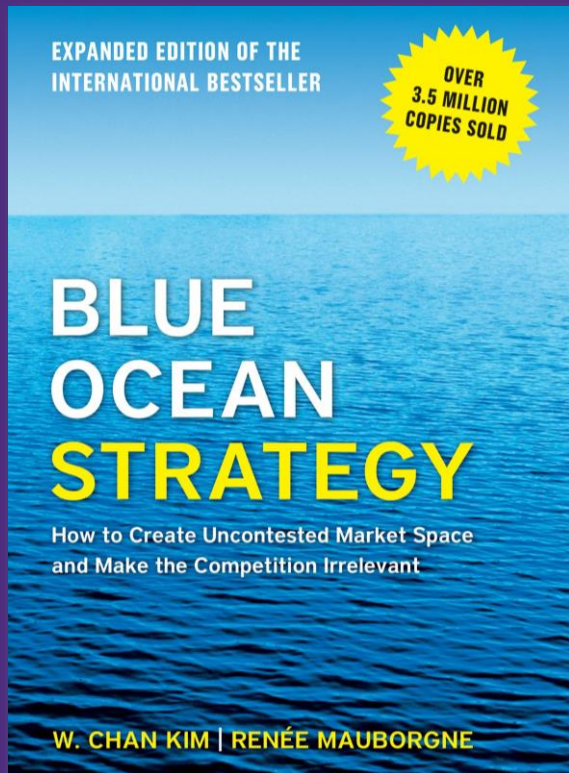
**What if we don't
manage our
business across
all three
horizons?**



Three horizons - on demand content



The CEO Room



1. What do we want to achieve?

1.1 The wobble board

Customers

Investors and lenders

People

2. What does the future look like?

2.1 Outside In

2,000,000 customers

10,000 employees

200 senior managers

8 BUs

1 CEO

3. How will we grow value?

3.3 Funding our ambition

What do we need?

Quantum Pricing Security Scale Resilience

All need to be balanced to deliver the optimum solution

Creating finance Raising finance

High

Low

Short term

Long term

Quick wins

Core bets

Strategy

Raising finance

- Asset backed finance
- Debt finance
- New equity
- Grants and subsidies

Get the plumbing right, get the deal right

Support	Secure	Structure
<ul style="list-style-type: none">A compelling and substantiated financial forecast with explicit strategic ambitionStrong and accurate information measurement	<ul style="list-style-type: none">Clearly defined metricsConsider alternative scenarios	<ul style="list-style-type: none">Flexible and robust financial modelAppropriate quantum of capital to support growthValuation considerations

Grant Thornton
An instinct for growth®

The market is composed of two types of oceans



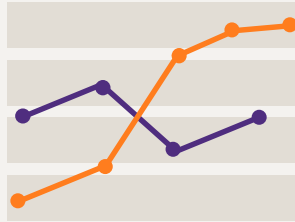
All about competition

- Compete in existing market space
- Beat the competition
- Exploit existing demand
- Make the value-cost trade off
- Everything aligned to either differentiation OR low cost

Creates new demand

- Create uncontested market space
- Make the competition irrelevant
- Create and capture new demand
- Break the value-cost trade-off
- Everything aligned to differentiation AND low cost.

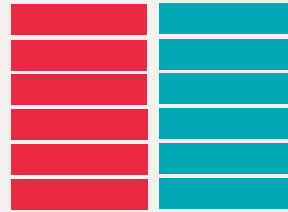
Blue Ocean Strategy Tools



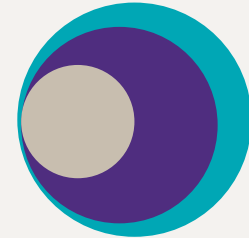
Strategy
Canvas



Four Actions
Framework



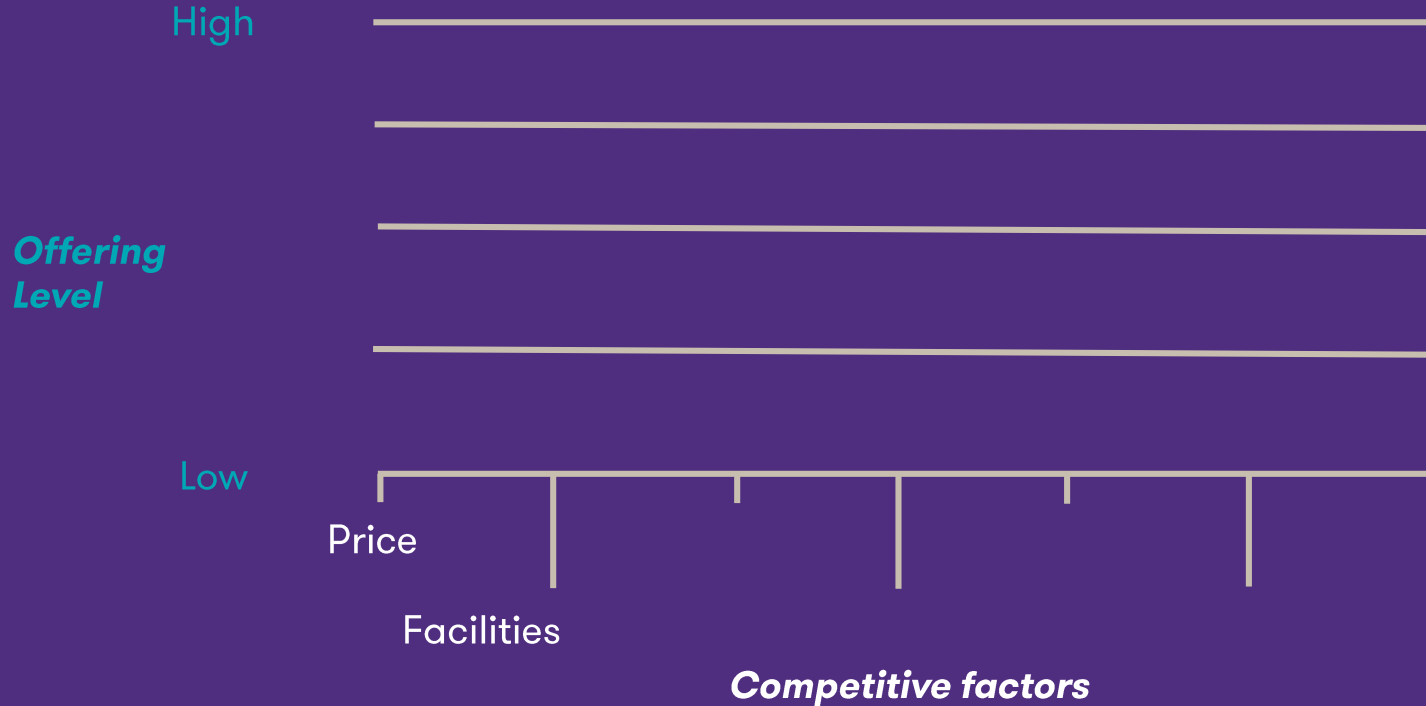
Six Paths
Framework



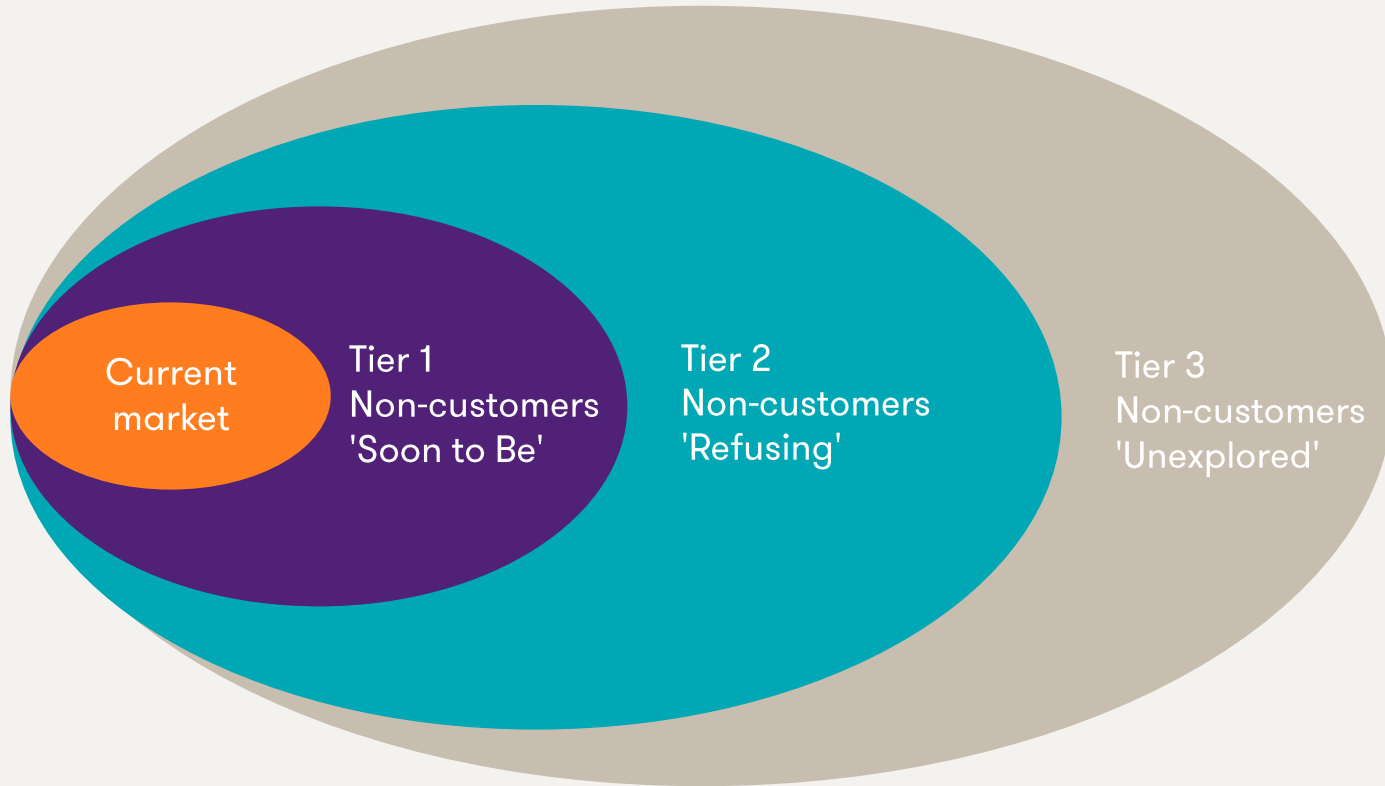
Three Tiers of
Non-Customers

The Strategy Canvas

Raise
Reduce
Eliminate
Create



Non Customers



Casella Wines [yellow tail]

To 1990's Casella Family mostly bulk grape, bulk wine suppliers

2000 Casella connected to major US distributor and [yellow tail] developed – a simple US\$6 wine appealing to the wine non-customer.

2001 Exports 200,000 cases.

2002 Exports 2.2 million cases.

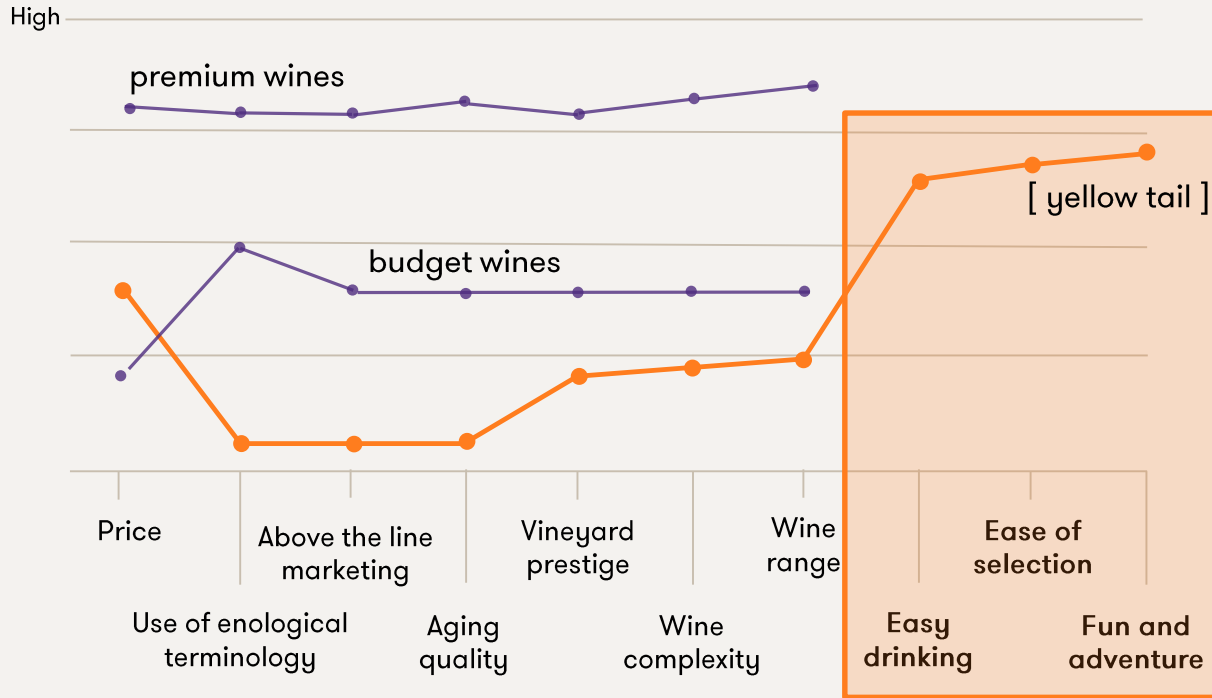
2005 Exports 7.5 million cases. The largest wine importer to the USA - more than all French producers combined.

2018 5th largest wine brand in the US.
\$481m revenue, 690 employees.
20% of all Australian wine exports, world wide.



Casella Wines [yellow tail]

Strategy Canvas



Four Actions Framework

Easy drinking

Ease of selection

Fun and adventure

[yellow tail] Super Bowl 2018 Commercial



The [yellow tail] strategy was not to compete.....
... but to convert

Technology Innovation

Value Innovation

VS



Key Takeaways

- VUCA Antidote (Vision, Understanding, Courage, Adaptability)
- Calm before the Storm
- Now is the time for Clients to strengthen the core business
- Earlier clients act, the more options available
- Benefits of marginal gains on both Revenue and Expenses
- Continuous improvement mindset / culture



Key Takeaways

- Take the time to focus **ON** your business rather than **IN** your business.
- Effective planning requires visibility of three horizons – now, transition and future.
- Challenge your clients. Some of the questions
 - If we started the business today, would it look the same?
 - Who are your non-customers, how can we help them become customers?
 - How would you use more funding to grow?
- Businesses need an Outsider to challenge them. Ask the difficult leading questions





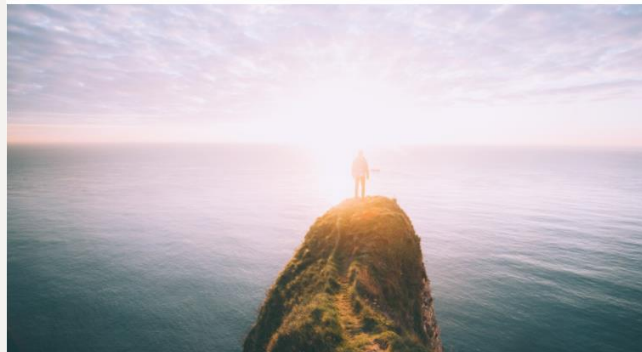
Graham Killer



"We've always done it this way" may lead to business failure in 2021
Graham Killer on LinkedIn



Forecasting optimism could lead to business failure in 2021
Graham Killer on LinkedIn



Business viability - time to restructure and grow
Graham Killer on LinkedIn



Business Success - Right People in the Right Seats
Graham Killer on LinkedIn

Q&A



Thank you

BBC2020