BusinessPlus+ Newsletter

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Lessons from Journey of WA Remanufacturer - R. Moore & Sons

Originally published by the CCIWA Business Pulse

There are few Western Australian businesses that reach the milestone of operating for 100 years. R Moore & Sons (RMS) is one of those businesses that has defied the odds by facing challenges head-on and embracing change. Kewdale-based RMS specialises in remanufacturing engine components for heavy industry, servicing industries such as mining, oil and gas, marine, energy, agriculture and defence.

"Remanufacturing enables multiple lifecycles of those mechanical components, so they can be reused over and over again," says RMS General Manager Stuart Davis.

Business Borne Out Of Necessity

In 1898, 17-year-old Irishman Robert Moore arrived in WA. From a young age Moore had an entrepreneurial spirit and is still remembered as one of WA's great engineering pioneers. Moore, with wife Amelia, spent his early career in Kalgoorlie where his business ventures began, first as a hotel owner, then beverage manufacturer and later in transportation.

In the mid-1910s the family moved to Perth and Moore's transportation business was doing well.

"Robert Moore had trucks operating around Fremantle, but he couldn't buy replacement parts to keep them running. So, he needed to repair and manufacture some new parts for his trucks," Davis says. "That's how R. Moore & Sons kicked off – he started buying machinery to keep his trucks operating and other operators cottoned on and wanted him to repair their parts too. From supporting the transport industry at the time, the business expanded into agriculture and it grew from there. "I am proud to be part of this journey – the R. Moore & Sons legacy.

R. Moore & Sons (RMS) Founder Robert Moore, early 1900s.

"The way Robert Moore went about business in the early 1900s in such a challenging environment, we're talking in the Goldfields, and didn't have any of the machinery or equipment we have now. What he was able to do on so many fronts is amazing."

RMS survived the Great Depression in the 1930s as demand continued for tractor, car and truck parts. During World War II the company was contracted to remanufacture components for the Australian military and US Navy submarines. Post war, demand from the agricultural and automotive sectors returned and RMS was able to retain its 50 staff.

Challenging The Status Quo

The business has transcended many changes throughout its more-than-a-century lifetime. Perhaps the biggest changes – advances in technology – has occurred during Davis's time with the business, having been with the company for 32 years, starting as a leading hand.

"Right from when I first set foot in this business, it was clear the business and culture was looking at finding a better way of remanufacturing items. I think the main reason RMS has been successful for so long is because we have always challenged the status quo," he says.

RMS has continued to be at the forefront of innovation, and technology is no exception. In recent years, the company has invested to digitally transform its operations. The business has digitised its workshop floor to utilise technology, such as sensors and a Smart Shop Floor System, to enable the team to make data-driven decisions.

"Digitising our business has increased our efficiency and quality, improved our throughput and is helping us deliver in full and on time to our clients because our targets are built into the Smart Shop Floor System, and we can detect any delays in advance," Davis says.

Coming Together During Uncertain Times

Like many businesses, one of the most challenging times for RMS was the COVID-19 pandemic. The peak of COVID in 2020 coincided with the business turning 100, adding additional pressure to get through the uncertain time.

"I remember thinking and chatting with the other management team members and thinking, 'we're not going to look too good if we can't get through our 100th year'," Davis says. "So, we battened down the hatches and like everyone, we didn't know what was around the corner and we were just taking it week by week."

Importance Of Positive Workplace Culture

For Davis, one of the most challenging yet rewarding aspects of running a business of about 65 staff is people management. **He says having a positive workplace culture is crucial to a thriving business, and at RMS having open dialogue on the workshop floor is a key ingredient.**

"One of the things I love about the business is having the dialogue with our staff and understanding what our culture is. Being able to understand the strengths and weaknesses of our team members, what energises them and see what they can bring to the table is really rewarding," he says. "We can invest in machines, we can invest in technology, but the people side of it – if we haven't got that right, we're not going to succeed."

Leadership And Supporting The Team

RMS First Head Office in Perth.

Moore is still regarded as great leader, which no doubt contributed to his success as a businessman. He was hard working, resourceful, diligent and had wise judgement – essential qualities of a great leader.

Davis says good leadership is about supporting staff so they can do their jobs well.

“Making sure we’ve got good leadership at different levels within the business is highly important,” he says.

“It’s about understanding my weaknesses and ensuring we bring people in who can do things better than I can and fill any gaps. Leadership is also about putting the ego aside and looking at what’s good for the overall business and where the business needs to be in the next two, five and 10 years is always important.”

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Lessons from the RMS Business Story

- **Have a strong and well executed Succession plan**
- **Be able to pivot the business quickly as customer needs and demands change**
- **Have a quality leadership team to guide the business and workforce**
- **Good strategic processes and decision making are vital**
- **Strong people management skills supported by a positive workplace Culture, Values and Engagement**

How Many Business KPIs Do You Need?

Try this formula for the right number of KPIs or performance measures that you truly need, so you can stop drowning in too many KPIs or thirsting for more.

Introduction

Before we start, we need to make our question a bit clearer. How many KPIs for what, exactly?

Is there an ideal number of KPIs for an organisation? Or a department? Or a team? Or an individual? (And is it really the number of KPIs that's the problem?)

Brent is from one of our most avid PuMP clients, and he knows the reality of this question:

"I am currently exploring the optimum number of measures that any one department or agency should have. It's a bit of a silly question, like how long is a piece of string? But I am wondering if there is an optimal number that any one executive team could handle (or that the brain could handle) - such as 5-10? Do you have any research or insights about using an optimal number of measures to extract maximum benefit?

For an entire organisation, it is a bit like asking 'how long is a piece of string?' In PuMP, though, the bottom line is that every KPI or performance measure needs an owner. And the owner needs to be a person, not a committee or team. **The most common guidelines for how many priorities any one person can handle, with excellence, is about three. So any one person ideally should not own more than three KPIs. This is the principle we build from.**

But, since any goal can require one to three KPIs to tell its full story, a team with three to five priority goals may end up with a dozen or more KPIs they collectively will monitor. This includes executive teams, through to operational teams.

If any one person owns more than three KPIs, or a team monitors more than about 15, it could mean they have too many goals, or their goals are not specific enough. Therefore, it's not a trivial exercise to cull down to the ideal number of measures. It takes a bit more thinking.

To help you arrive at the ideal set of KPIs for any one person to own, these three steps will help you do that required thinking...

STEP 1: Stocktake Your Current KPIs Against Your Goals

KPIs shouldn't float around unattached and unaligned to goals. They are evidence of progress toward goals. Get a list of your goals, and list of your KPIs or measures, and link them to each other. A tool like this KPI excellence checklist can help you stocktake your current measures.

If every KPI or measure links to everything, you've gone too far. Focus on linking KPIs or performance measures to the goals they are the most direct and strongest evidence of. If any KPIs or measures aren't strong evidence of anything, park them. Or toss them out.

STEP 2: Choose Your Three Priority Goals

If your team only has three to five goals, that's great. If the team has more than five goals, that's not great. If you expect to achieve any of them with excellence (and why would you aim to achieve a goal without excellence?) you must be more ruthless: pare it down to a maximum of five goals. And know which three are the first priorities.

Why? The FranklinCovey Institute talk about **"WIGs" - wildly important goals**, in an overview of their **4 Disciplines of Execution**. You can move onto the other priorities, and measure more about different things, after you achieve your current three WIGS.

STEP 3: For Each Priority Goal, Have No More Than Three KPIS

Sometimes a goal only needs one measure or KPI. Excellent – that will keep it simple. But you can sometimes need two or three KPIs or measures for any one goal. Like when you need more than one stakeholder's perspective on the goal. Or when you cannot get the data for the one perfect measure for a goal but can get the data for two or three less perfect measures (we call it balancing relevance and feasibility). Even still, we want to choose no more than three KPIs or measures per goal.

By the way, if you find that none of your existing KPIs align directly to one of your top three goals, be very deliberate about designing a new way to measure it. Don't brainstorm or curate KPIs from libraries and lists. Design your own KPI that measures your unique goal as directly and feasibly as possible.

Finally, with your list of kept KPIs, agree on who will own each one. Make sure no one person ends up owning more than three KPIs. Even though collectively as a team you'll monitor all of them, each KPI owner will take the lead in interpreting and analysing the KPIs in their charge. And if you don't have enough people to ensure each KPI has an owner, you still have too many for your team's size. Be ruthless, again, and prioritise.

And ta da! That's how many KPIs you need right now.

This article was first published at http://measureupblog.com by Stacey Barr. Stacey is an Australian based in Brisbane and a specialist in organisational performance measurement and creator of PuMP, one of the world's only deliberate performance measurement methodologies. PuMP is known for being practical, logical, and engaging, because it was designed to overcome people's biggest struggles with KPIs and measures. If you like, learn about the bad habits that cause these struggles, and how to stop them, by taking Stacey's free online course "The 10 Secrets to KPI Success" at https://www.staceybarr.com/the10secretstokpisuccess/.

Additional Resources

- For a summary of the FranklinCovey "***4 Disciplines of Execution***" please click HERE or at https://resources.franklincovey.com/home/the-4-disciplines-of-execution
- For a whitepaper on "***Ten Best Methods for Improving Accountability***" produced by the Growth Faculty, please click HERE

Director's Obligations When Business Insolvency Threatens

Recent high-profile administrations of Australian companies (particularly in the building industry) has thrown the spotlight on the obligations of directors of financially stressed companies.

Amid the turbulent macroeconomic environment, Australia is experiencing an increase in corporate insolvencies, which reinforces the need for directors to understand their duties and obligations if their business is in financial distress or at risk of insolvency, and what immediate actions need to be taken.

What Should Directors Be Aware Of?

Section 180 of the Corporations Act (the "Act") sets out the general rule that a company officeholder must exercise their powers and duties with care and diligence. **This duty is subject to a business judgement rule that requires a director making a business judgement to:**

- make the judgement in good faith and for a proper purpose
- not to have a material personal interest in the subject matter of the judgement
- inform themselves about the subject matter of the judgement to the extent they believe to be appropriate
- rationally believe that the judgement is in the best interests of the corporation.

Furthermore, the Act sets out the duties of a director and other company officers:

- They must act in good faith in the best interests of the company and for a proper purpose (s 181);
- They are prohibited from using their position to gain an advantage for themselves or someone else, or to cause detriment to the company (s 182);
- They cannot use information obtained in their role within the company to gain an advantage for themselves or someone else (s 183).

What Are The Consequences If There's A Breach?

While the duties of a director and other company officers as outlined above are civil obligations, they may also attract civil penalties. If a court declares that a company officeholder has breached their duties, it can impose a financial or pecuniary penalty. The court may also order that the director compensate the company. In addition, the court may also disqualify the person from managing corporations for a period.

It's important to note that it's also a criminal offence for a director or other officer to act recklessly or is intentionally dishonest in their failure to exercise their powers and discharge their duties in good faith and in the best interests of the company or for a proper purpose.

Under the Act, it's crucial to keep proper books and records. Section 286 sets out that a Company must keep written financial records that:

- correctly record and explain its transactions and financial position and performance;
- would enable true and fair financial statements to be prepared and audited (only if required).

These financial records must be retained for seven years after the transactions covered by the records are completed. Failure to maintain these records can result in the company being presumed to be insolvent.

Duty To Prevent Insolvent Trading

If a company is at risk of **insolvent trading (i.e., when it continues to trade even though it's unable to pay its debts)**, it's even more important for directors to understand their obligations and duties and what immediate actions need to be taken. That's also where directors need to be aware of the warning signs of insolvency.

There are many red flags of potential insolvent trading, including:

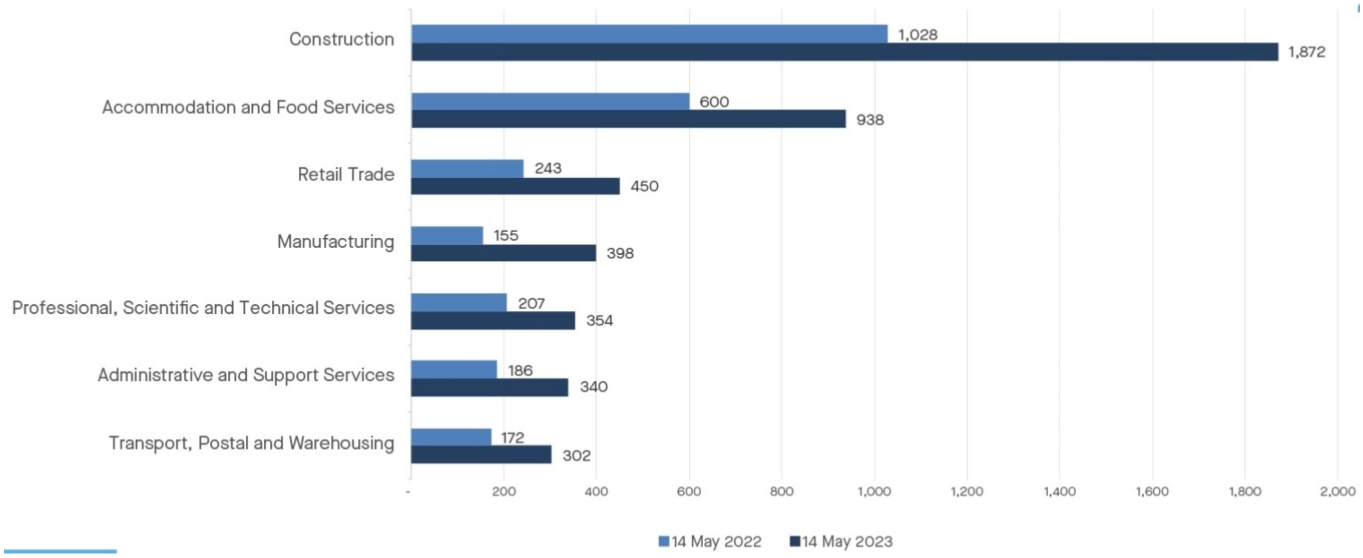
- overdue tax payment obligations - federal and state,
- cash flow shortfalls,
- falling sales,
- loss of significant customers,
- a poor relationship with current bank and the inability to borrow further funds,
- inability to raise further equity capital,
- greater pressure from creditors,
- inability to provide timely and accurate financial information or to make reliable forecasts,

These and other key indicators are crucial in determining whether a director suspects or ought to suspect that a company is currently insolvent or in danger of becoming insolvent. As a company nears insolvency or if directors are concerned about their company's solvency, it's vital they shift their focus to their obligations and duties, especially those relating to creditors.

Early Intervention Is Critical

Directors concerned about a company's financial position should seek professional advice regarding the state of their business and their legal obligations, in addition to identifying potential solutions to address the company's financial position. Delaying decisions or delaying taking steps to try to resolve your company's financial distress may lower the prospect of recovery, particularly while the business's financial position continues to deteriorate. Company directors must understand their duties and obligations and the potential consequences if the right actions aren't taken. **There are formal insolvency processes that allow a company to restructure its debts and continue to trade. Don't put your head in the sand – seek help at the first sign of trouble.**

According to ASIC recent publications, business shutdowns are now on the rise and are growing in momentum as shown in the diagram below:



<u>Source</u>: ASIC - May 2023

According to ASIC, 51% of businesses fail within the first four years of operation, a sobering number. ARITA (Australian Restructuring Insolvency and Turnaround Association) TA says are the top 4 reasons why companies fail are:

(1) Poor Financial Management: This can include overspending, not having a solid financial plan in place, or failing to adapt to changes in the market. It is common to see companies failing to account for tax obligations or leveraging ATO's slow reaction times and using funds set aside for tax to cover other expenses. Then the ATO calls in the debt and you have no means to pay the loan.

(2) High Debt And Insufficient Cash Flow: One can be obsessed with a grand business idea and assume it will be immune to the normal risks of business, only to see it fall flat on its face in the first year. The business could potentially be salvaged and even make good money, however, if it owes money one may have a hard time balancing the priorities. Business loan interest rates are typically high and you could fall into the profit-sucking debt trap, that is paying the minimum monthly due payments only and the loan may take many years to pay off. During economic challenges, too much debt can expose your business to unnecessary risks.

(3) No Strategic & Risk Management Plans: If you fail to plan, you plan to fail as the saying goes. It's critical for you to plan your business operations with built-in flexibility and contingencies on your tactical and strategic directions. In saying this, nothing ever goes to plan and you must be able to pivot your operations to suit the temperature of the moment. Keep what works, throw away what doesn't so that you can chart your way forward.

(4) No Marketing Plan: You have an office, services/products, and a phone, but why is the phone not ringing? Sound familiar? The truth is nobody knows, or cares, that you are there. A huge number of businesses fail because their marketing if it exists at all, is tone-deaf to their target audience. That is, people are not listening to your marketing messaging. A good marketing plan will help you get your services in front of your target audience, will be clear on what messaging customers will respond to, and convince them you are the best there is to deliver the services/products they need.

Checklist For Distressed Businesses

- Identify where and why business performance has deteriorated since the last accounting period.
- Check actual performance against what you would expect to see from a business of this type.
- Keep on top of overdue debtors and seek explanations.
- Ensure the business has "good hygiene" around its terms of trade.
- Review the business model and identify opportunities for reorientation if required.
- Examine overheads and look for opportunities to reduce the costs where appropriate.
- Review financing and check the level of equity and forms of debt financing that are appropriate for the business.
- Get expert insolvency and bankruptcy advice at an early stage of recognising financial difficulties. The sooner the better, to provide you with a broader range of possible restructuring options.

Summary

Warning Signs of a Business in Financial Difficulty

Additional Resources

- ***"Warning Signs your business might be in trouble: early signs"*** from CPA Australia can be accessed HERE

Business Essential Briefs: Dynamic Business Capabilities

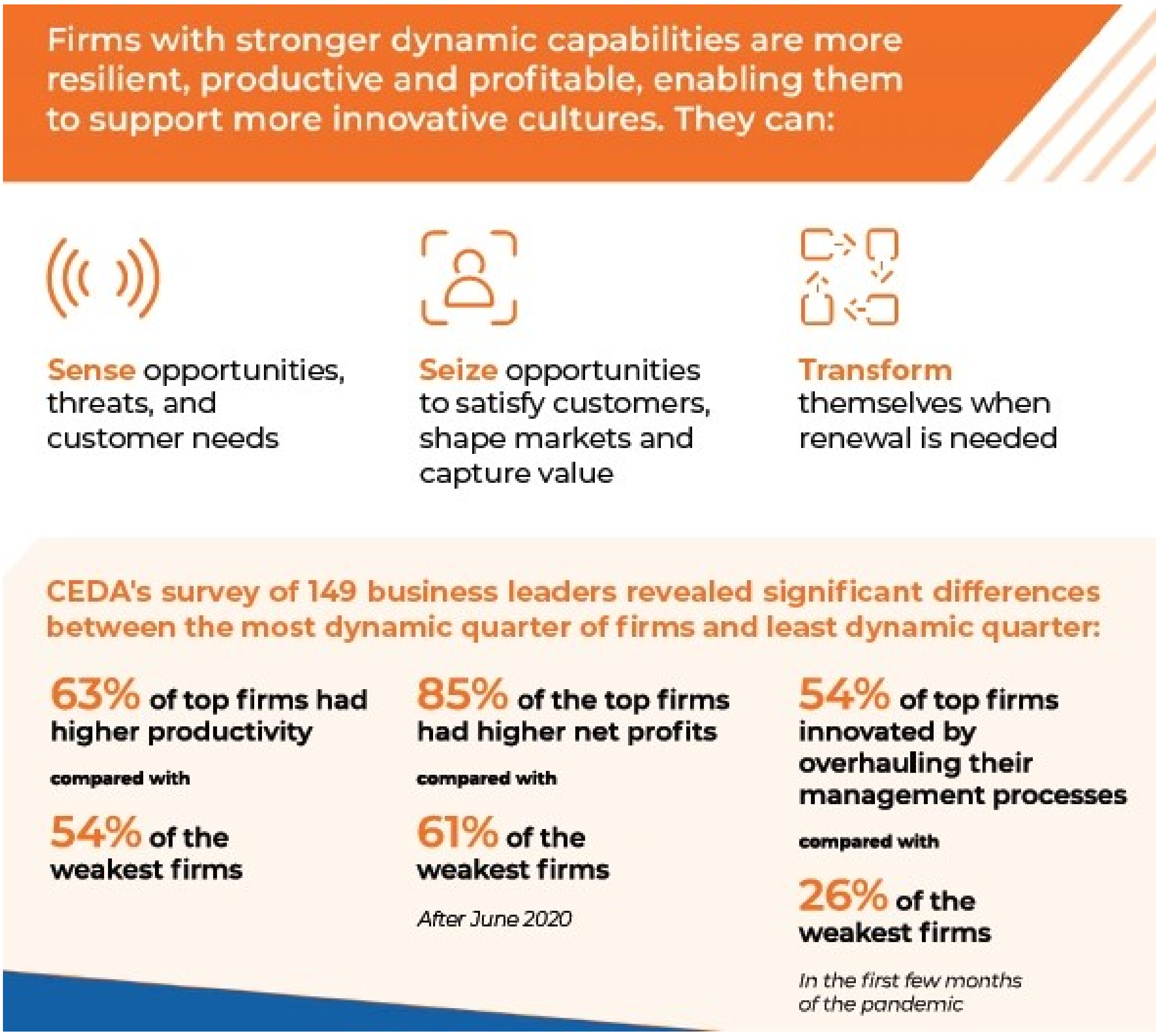
The Committee for Economic Development Australia ("CEDA") recently issued an interesting report titled "***Dynamic Capabilities: How Australian firms can survive and thrive in uncertain times***".

The report was based upon the outcomes from surveying some Australian businesses. There were some informative lessons determined from the survey information, particularly in relation to the importance of dynamic business capabilities in today's business environment.

Ordinary business capabilities are the basic skills needed to run a business in normal times. They are largely operational and focused on efficiency. **Dynamic capabilities are more forward looking and strategic. In environments that are highly volatile, uncertain, complex and ambiguous, these capabilities help businesses to maximise their chances of long-run survival and success.**

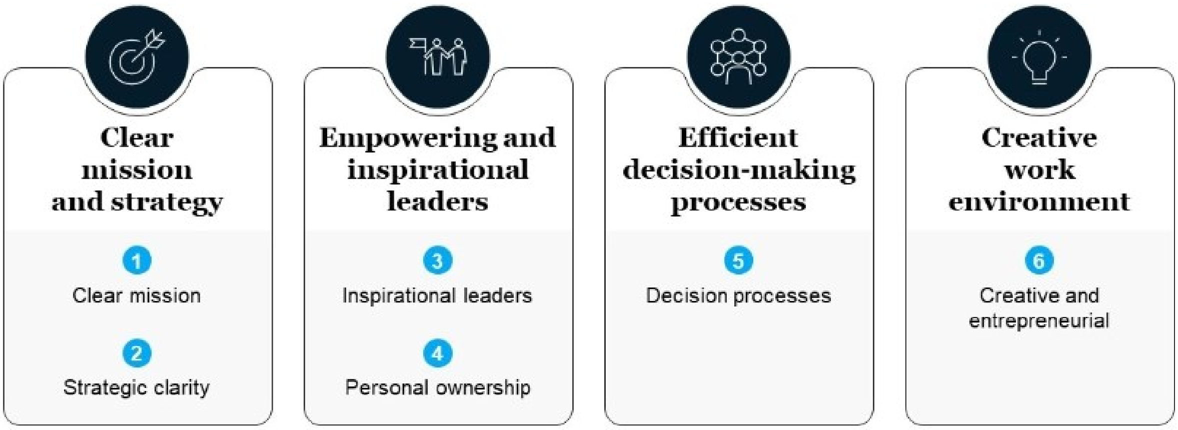
This cycle of sensing, seizing and transforming is essential for ongoing viability and success in a world of changing customers, markets, technologies and a dynamic environment. Firms with stronger dynamic capabilities are more resilient, productive and profitable, enabling them to support more innovative cultures.

Some of the report's key findings are summarised in the diagram below:



The full CEDA report "***Dynamic Capabilities: How Australian firms can survive and thrive in uncertain times***" can be accessed HERE

The Contradictions of Creating a Successful Business



Herein lies the contradiction; business is a fast-paced race that takes years to complete. The rhetoric is contradictory and often confusing. You want success, but you also want to spend time with your family. You crave the financial rewards but want to finish being in your business office at a reasonable hour. You want to scale your business, but you're afraid of the extra demands this will place on you. How do you achieve greatness without sacrificing what's most important to you?

Success lies in only a few fundamental principles, practised regularly. These principles are not difficult to execute, nor are they expensive – but they require focused discipline. **Consistent action leads to consistent results, so if they are followed regularly, anyone can achieve success.**

These 4 principles are:

- Ability to Plan & Execute Well
- Focus on Incremental Gains
- Acceptance of Time
- Cashflow remains King

The Ability to Plan & Execute Well

Often, most business owners are trapped in an infinite vortex, where the day-to-day of their business keeps them far too occupied to make decent (or any) business decisions. That combined with the inability to execute such decisions due to the lack of "time", prevents the business from growing or simply improving, continuing its current ("stuck") performance, year after year.

What's needed to shift the business and create long-lasting change is the process of pausing the day-to-day, to map out what steps are required in each aspect of your business to witness different results.

For example, if your business is struggling with a lack of sales then the following needs to happen.

Dedicate a time when you can sit, undistracted, and construct the steps set out below:

- Create a clear sales process, itemising the steps needed to take a prospect from enquiry to conversion. Clearly map out each step and highlight what is the bottleneck or breakpoint right now.
- Identify ways to remove or rectify the breakpoint by creating a new script/procedure/workflow etc. Find a solution.
- Then, dedicate time to implement the new script/procedure/workflow etc. in your calendar. Label this as a priority.
- Now it's time to Execute on your revised sales approach plans.

Too many business owners are guilty of completing the first three steps, only to shelve the solution and never see a result. If you want to change, execution is critical. Go to your calendar, prioritise a time to deploy the solution (whether it's a team training, Sales/CRM software purchase, checklist rollout etc), and follow it through with voracious tenacity.

The best part about the above is you can apply the process to EVERY problem in your business and it's a sure-fire way to speed up your efficiency.

Focus On Incremental Gains

When you start a marathon, you expect that you will need to take hundreds of steps over a 42km distance. Your focus then is on how quickly and efficiently you can take those steps. This analogy is exactly the expectation business owners should have of reaching success too.

If you focus on incremental gains, however, you create a degree of 'micro-focus' where your energy is concentrated on achieving a great result from small changes. When you do this, you get better at making small adjustments much faster and experience a higher degree of satisfaction as you are achieving more "wins" as you progress. Just as you can't complete a marathon in three steps, you can't expect significant shifts in your business without continual effort over realistic timeframes.

If you focus on incremental gains consistently, you will not only guarantee progress (which leads to more satisfaction in your business), but your business will change for the better along the way.

Acceptance of Time

Good things take time. This saying causes friction with many of us. But it's true. The success we crave in our business is completely attainable if we give in to the understanding that we'll reach our ideal objectives… in good time.

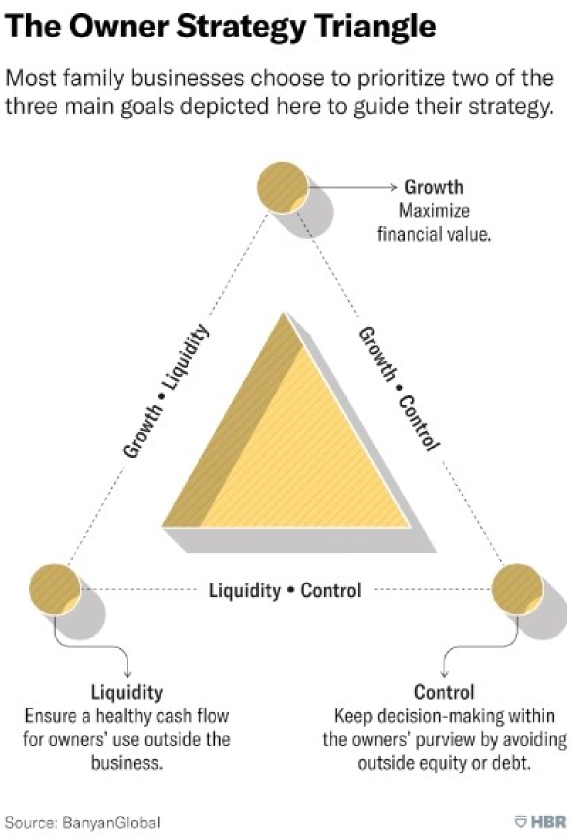
As an example, a chef often says that one can never tell exactly how long it will take to cook something. Their repeated response – "it'll take as long as it takes". This response could be jarring to the everyday business owner, as there is no definite timeframe on how quickly I will reach the finish line. This can be very frustrating.

Other emotions can also flood your mind such as anxiety, worry, stress, anger, anticipation, and dissatisfaction that "it's taking too long". What's fascinating is that we place this pressure on ourselves, by envisaging a hypothetical timeframe that is longer than expected, therefore creating a separation between our own expectations & reality.

To remedy this, shift your perspective on how you observe time. Instead of looking at what we need to do under the assumption of how long this will take, what if we reframed our perspective and instead applied the premise that: This will take as long as it takes.

Urgency and timeliness are still a consideration however, you need to accept that good things take time. Eliminate the gap (and stress) between your expectation & your reality regarding your business's results and apply the thought above to your next significant movement. Year in year progress towards your ultimate business objectives should really be your goal.

Cashflow Remains King



There is a high failure rate of small businesses in Australia in their first three to four years. This is not due to a lack of great ideas, products or hard work. It's simply because they run out of CASH. **This is why Cashflow remains King – having a profit is one thing, but unless it is in the business bank account in a reasonable timeframe, then there is a problem.**

To survive, grow or simply remain sustainable in business, you need to become a master at managing cash flow. In addition, the necessity to build cash reserves or healthy profit account also gives you the ability to reinvest when needed, provides freedom in decision-making, and helps you to sleep better at night. Of all the business goals, this is probably one of the most important. **Build healthy cash flow and set an annual profit target for the business.**

Here's how to do it:

- **Create a cash flow forecast**. Speak to your accountant about helping you to prepare a cashflow forecast. This statement is an estimate of the amount of money you expect to flow in and out of your business over a financial year. It acts as a projection of what you expect to earn, spend & keep. You can then use this to manage your business's financial performance and adjust operations as needed.

- **Keep on top of your invoicing**. Once you have completed the job or work, get that invoice out to your customer! Quite often, the business owner will "get tied up" doing other things and forget to invoice, which inevitably only delays payment and slows down your cash flow.
- **Monitor accounts receivables (debtors) and payables (creditors) weekly**. Review what you owe and what's owed to you weekly, so that you have your finger on the pulse on which payments are outstanding and what your rolling cash balance will be. Review your payment terms, make sure you can promptly identify overdue payments, and have processes in place to follow up with customers immediately. A lot of this can be automated by your accounting software or your bookkeeper.
- **Quote accurately**. One of the biggest reasons why a business is not profitable is due to incorrect quoting. When creating your quote, ensure you include the total cost of labour & super, materials, operating expenses, and allow for a reasonable profit margin too. If you have a resilient and effective quotation process (that is well documented and reviewed at least annually), then providing you execute well, your business should remain profitable on every sales transaction.
- **Reduce operating expenses**. This might seem like a no-brainer, but if you can work to reduce the unnecessary expenses in your business, then that cash is retained as profit. Run an expense audit across your P&L and review what expenses can be eliminated.

Additional Resources

The information reference booklet "***Improving Business Performance***" produced by CPA Australia, can be accessed HERE