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MORTGAGE PROFESSIONAL AUSTRALIA

**SPECIAL
REPORT**

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THIRD EDITION

BUSINESS STRATEGY

**Your complete guide
to business success
2014**

**STRATEGY
PLANNING FOR
SUCCESS**

**MARKETING
SELL YOUR SERVICES
AND BRAND**

**MANAGEMENT
BUILD A WINNING
TEAM**

**SMART BUSINESS
WORK SMARTER
AND PROSPER**



Weathering storms

How to grow your business sustainably

How do you boost the volume of business that you can handle without the wheels coming off and sacrificing quality of service? **Dr Greg Chapman** explores the issue

Business owners often find that following a period of early rapid growth, things start to tail off because they simply can't handle more business without sacrificing the quality of their service.

If this sounds like you, it's likely your business is experiencing growing pains and its sustainability may be at risk. Like a shallow rooted tree, your business is susceptible to the next big storm, which might be hard to predict but is certain to come.

Chances are you are also working longer hours than any of your staff, and are the last to get paid. Your business is a victim of its own success.

To get out of the firefighting business, owners need to look for opportunities to outsource, delegate and re-organise

If you do ever get a chance to take time off, when you return you wish you had never left. It's as if nothing happened at all when you were absent. Sure, work was done, but nothing progressed, and your inbox is full of unanswered enquiries. Your business has become its own version of *Groundhog Day*. While it feels like a trap and seems unsustainable, this is also an opportunity.

A sustainable business needs to be like the oak tree that establishes deep roots preventing it from being blown over before it grows to its mature height and is able to withstand decades of severe storms.

SUSTAINABILITY IN PRACTICE: BLUESTONE

Bluestone chief operating officer, Asia-Pacific, Peter Wood explains how his organisation grew sustainably through the GFC by taking a look at the bigger picture

Like many other financial institutions, Bluestone made a conscious decision to stop issuing new loans during the GFC. But Wood explains that this decision allowed the company to grow in other areas.

"This presented an opportunity to focus on asset acquisition/diversification, primarily in Europe, which enabled the business as a whole to diversify and develop exponentially," he explains.

"Having said that, Bluestone has always been committed to the lending market and has always had firm intentions to re-enter this market once conditions permitted. We continued to manage our relationships, service our portfolio and pay broker trail commission throughout this period."

So how did he decide that the latter part of 2013 was the right time to re-enter into the mortgage origination market? Wood explains that the decision wasn't made without extensive due diligence and discussion with a number of broker groups. These discussions enabled the Bluestone team to decide both that the timing was right and that the market would benefit from Bluestone's offering.

He adds that they've also got an eye on growing sustainably within the broker market in the future.

"Bluestone's commitment to the third-party channel will be sustained in the short and long-term by proactively evolving our product offering, identifying and developing niche markets, continuously offering a high level of service and providing quality technology solutions," he says.

"This will be done in collaboration with our network relationships to broaden the customer base and drive revenue growth."



SUSTAINABILITY IN PRACTICE: CONNECTIVE

Connective director Glenn Lees explains that sustainable growth is all about constantly reviewing your plans – and being willing to accept advice



According to Lees, the GFC turned out to be a fantastic opportunity for Connective, as many brokers looked at their business expenses during the GFC and decided to make the switch to his operation. However, the company wouldn't have been able to sustain its growth through this period if it hadn't invested in running a "lean, efficient, systemised organisation".

"Investing in those processes and procedures and technology systems to allow us to deliver the service at that price also gave us scalability," he says. "So when the GFC came along we could just keep piling brokers on to our system without too much stress".

And he believes that brokers, too, can employ a lean, efficient, systemised approach to ensure their business can grow sustainably. Question your actions and processes, he suggests, because "there are many things you can do in business, but only a few things you should do".

"It's understanding what they are, understanding your return on investment from what you're proposing to do, and having the discipline to stick to it," he adds, noting that Connective operates under the mantra of 'plan, act, review, repeat' to make sure their business strategy is constantly under review.

When it comes to setting sustainable goals, he suggests asking some tough questions: Are you being realistic? Have you got the resources? Have we you the expertise? What are the opportunities in front of you? Which ones should you follow and, importantly, which ones shouldn't you follow?

Accepting advice, too, is crucial.

"You have to be careful to be not too fond of your own ideas. Many mistakes are made by people who think they've got a great idea, so we always do and always have sought feedback from others who know more than we do," he says.

Your advice network could include solicitors, accountants or experienced colleagues who can help you to review your plans, check your progress and constantly check your assumptions.

Brokers also have access to vital data through their aggregator software that can inform their business plans, he adds, suggesting that monthly reviews can keep your eyes open to the risks ahead.

"How did we go last month? How many new customers did we see? How many applications did we submit? How many did we settle?" he says.

"I saw a great quote from Donald Trump once, where one of the questions he always asks is 'what am I pretending not to see here?'. I think that's a great illustration of the risk you take where you just pretend not to see something, because it's going to make you uncomfortable. You've just got to be harsh with yourself."

But before checking the roots of your business, you also need to check its direction. Like a teenage boy growing out of his clothes ever half year, your business may have outgrown its strategy. What worked in the past no longer fits, and you need a whole new wardrobe. The opportunity arises when you diagnose this situation, and recognise that it's unsustainable, and have no choice but to take action.

Here are the five Rs that will allow your business to overcome the growing pains and put it on the path to sustainability.

1. REDUCE DEPENDENCY ON YOU

While your business depends so much on you, there is no time to step back and review it, let alone to take action to change it. So creating time is the first priority.

Often owners spend significant amounts of their time fighting fires. To get out of the firefighting business, owners need to look for opportunities to outsource, delegate and re-organise. This will require putting in place simple systems that will allow you to pass work onto others to create the space you need. While there is a temptation to hang onto this work yourself because owners don't believe that others can perform this work as well as themselves and because they think they are saving money, this is an opportunity cost to your business.

Owners become micromanagers, which stunts their growth and is unsustainable. They need to learn what brain surgeons do. The brain surgeon doesn't run the operating theatre. The theatre nurse does. The brain surgeon doesn't open up and close. They have junior surgeons to do that for them, and they certainly don't mop up the blood from the floor. All the brain surgeon does is brain surgery, plus a little bit of marketing beforehand – client needs, and a little bit of marketing afterwards – client satisfaction.

Owners need to discover where the brain surgery is in their business. When you stop spending dollar time on penny jobs, you will have the time to take the next steps.

2. REVIEW YOUR STRATEGY

Investigate where your business really makes its money. There are often pockets of gold hidden amongst cross subsidies to other parts of your business. Which products and services and which customers make the biggest contribution to your

bottom line? Where are you and your staff spending most of your time? Is it in your gold mine? Analysing the financial structure will let you know where you need to start.

If instead you are having difficulty managing all your customers, perhaps it's time to dampen growth to give you time to work on your business. Rather than continually struggling to finance expansion and grappling with the gap between paying your bills and getting paid while trying to increase capacity, consider increasing your prices on your in-demand services to moderate growth to a sustainable level. If this doesn't work, increase them again!

Like a teenage boy growing out of his clothes every half year, your business may have outgrown its strategy

Look at your customers. Who are your best buyers? Airlines understand who their best buyers are. They get the free upgrades, and get served French champagne in First. Are you giving out too much champagne to your noisy economy customers and ignoring the ones in First?

3. RE-ENGINEER YOUR BUSINESS

In light of your review, which products, services and customers will you be focusing on? How will this affect the way you promote your business? Will you change the way you deliver your products and services? This enables you to get the biggest bang for your buck, which is essential in small business where the bucks are fairly limited.

Have you analysed your cost structure, not just on service delivery, but also on your cost per lead, and cost per sale? This should not only be done by customer type, but also service type. What looks like a profitable service based on delivery costs may actually have a proportionately high cost per sale. It's quite common in many businesses for the cost per sale to be similar for low and high-value services. Changing the way you sell low-price

services may be needed to prevent your attention being diverted from converting high-value sales.

4. RECONSTRUCT YOUR BUSINESS MANAGEMENT SYSTEM

Once you have re-engineered your business, you will need to redefine roles in your organisation, complete with business systems, job descriptions and performance standards.

Your business management system should be built around your workflow process which documents all your activities from the time you get the phone call to the time you bank the cheque. There should be systems such as procedures, templates, checklists and even scripts for each part of the workflow process. Each should be assigned to roles as well as a description of what a good job looks like. This enables you to measure the performance of your staff, rewarding those that exceed expectation and supporting those that have not yet attained it.

Your staff will now be in a position to manage more of your business so you can focus on your brain surgery.

5. REPORT YOUR BUSINESS

While a well-constructed business management system is an essential prerequisite for a sustainable business that runs without you, it's not sufficient on its own. Without a driver for your systems, they can become dusty manuals on a shelf that no-one follows, a waste of your time and money.

To ensure that your business is run the way it is meant to, that mistakes are avoided, that the customer experience is consistent, that the business management system is followed, there needs to be one final system to drive all the other systems in your business – a reporting system. This ensures that staff are following your business management system, and gives you the confidence to delegate. Ultimately, this gives you a business that will run without you and turns it into a saleable asset.

MOVING ON

Once these five steps have been taken, you will be confident that your staff can manage the business for you so you will delegate, giving you more time to plan the future. Your business will be able to weather the storms because of its deeper roots and will become sustainable, enabling it to continue to prosper and grow to its full potential height. **MPA**



Dr Greg Chapman is author of the award-winning small business bestseller 'The Five Pillars of Guaranteed Business Success'. Download a free copy of his Mission Statements Made Easy Tool from www.empowersolutions.com.au