

Operationalising your business plan

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March 2013



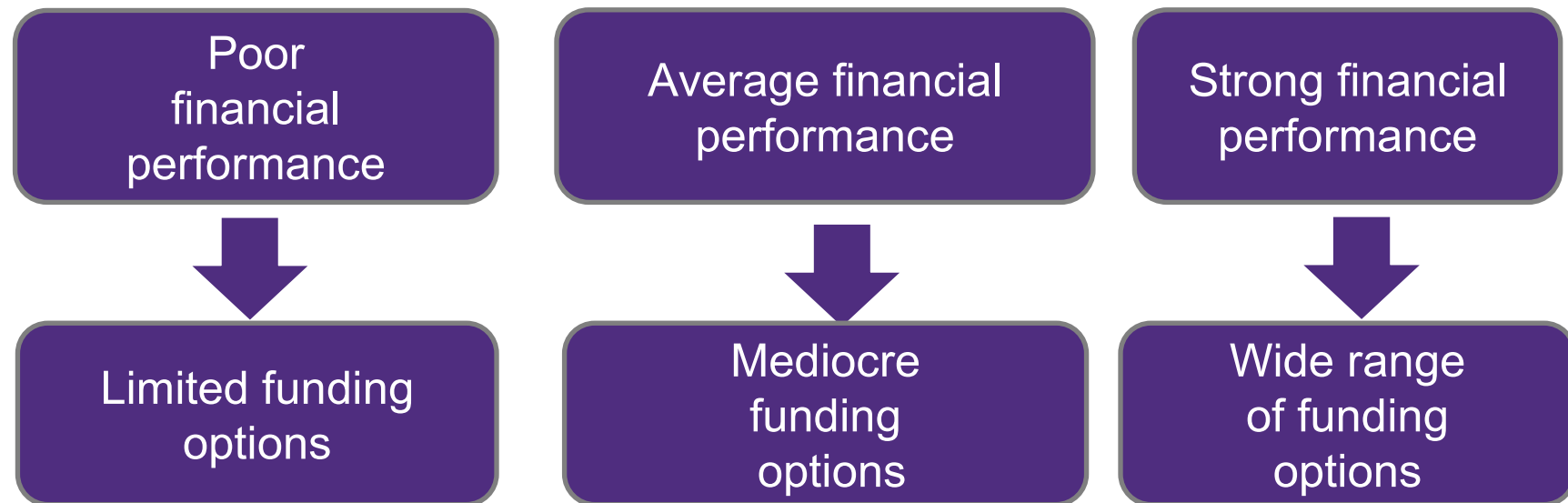
Business planning

Agenda

- Recap on last session
- Changing competitive landscape
- Importance of KPIs
- Examples of KPIs in action
- Guardian Roof's case study
- Q&A

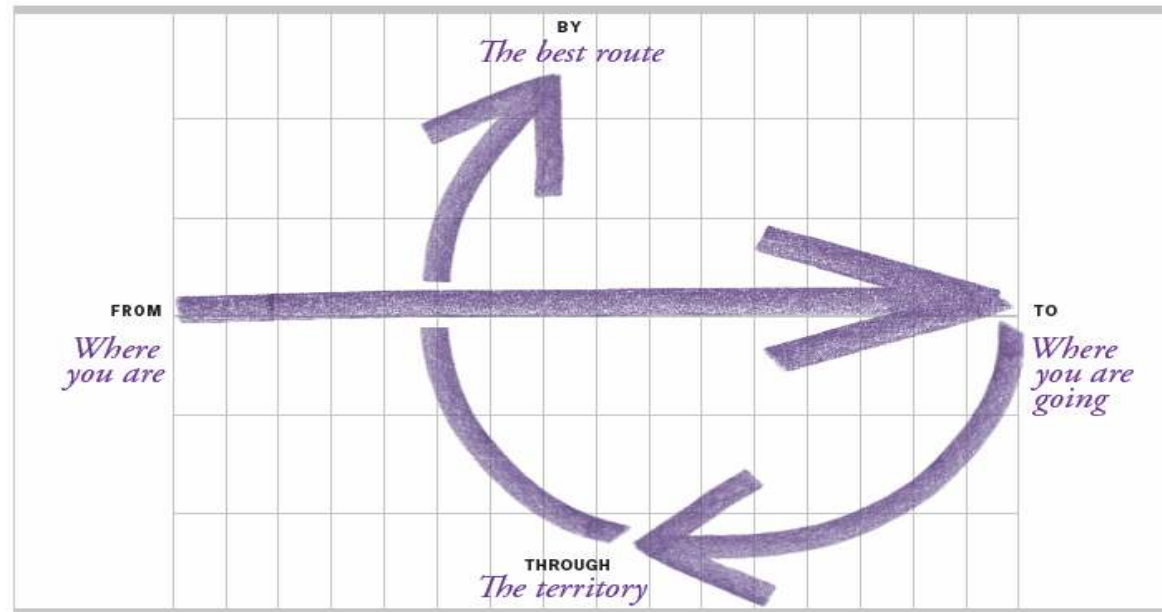


Average breeds average



Management of financial performance is increasingly becoming a key differentiator for businesses as they try to attract funding. Critically, balance sheet performance is becoming as important as operating performance.

KPIs – guiding through the territory, & by the best route



Innovation has not only made the supply chain global but also the competition. Companies need to realise that their competitors may now be anywhere in the world. On the flip side, while competition may be global, the market and customers for a business can now be anywhere in the world as well.

Asking the smart questions

	①		③		②
	Current state Where is your business now?	Barriers and Risks	Enablers and Opportunities	Future state Where do you want to be in 3, 6, 18 months?	
1					
2					
3					
4					
5					

An example of a smart question

If you weren't already in a business,
would you enter it today?

And if the answer is no, what are you
going to do about it?

Peter Drucker

Pre-2007: Scattergun approach across many industries to customers



Post-2007: Smart customer relations The right approach



The present day competitive landscape

playing field looks different:

- constantly evolving
- driven by consumers demand preferences
- vital to ask questions to understand key trends/challenges:
 - price tolerance
 - income levels
 - demographic changes
 - taste preferences



Changing face of Irish end user

Who are you selling to and why?

Irish population classified by age group, 2006-2012*

Age Group	Persons in April of each year							Change over a 6 year period
	2006	2007	2008	2009	2010	2011	2012	
	000							
0-4 years	302.3	310.5	324.0	335.2	347.0	356.0	364.6	+62.3
5-9 years	288.5	297.2	306.2	310.7	314.6	319.6	324.8	+36.3
10-14 years	274.2	276.5	283.1	290.5	296.1	301.0	305.4	+31.2
15-19 years	290.9	291.4	295.6	294.3	289.4	281.0	275.7	-15.2
20-24 years	347.5	371.7	373.6	354.4	326.3	298.6	277.7	-69.8
25-29 years	375.2	399.8	408.3	400.6	381.6	362.9	341.2	-34.0
30-34 years	347.9	361.3	369.5	374.5	381.2	393.4	392.3	+44.4
35-39 years	320.4	335.3	348.6	356.3	359.7	363.1	364.3	+43.9
40-44 years	299.8	308.1	313.6	316.7	321.8	329.3	335.7	+35.9
45-49 years	273.8	281.2	288.5	295.6	300.9	304.1	308.1	+34.3
50-54 years	246.4	253.2	258.0	262.3	267.4	273.7	278.2	+31.8
55-59 years	223.9	227.9	232.6	235.7	239.6	243.4	248.0	+24.1
60-64 years	179.8	190.7	199.8	207.7	214.0	217.1	220.0	+40.2
65-69 years	141.2	144.1	149.8	156.6	163.5	172.1	181.5	+40.3
70-74 years	117.5	119.5	121.7	124.6	127.9	130.1	132.7	+15.2
75-79 years	91.4	92.5	94.5	96.8	99.1	101.4	103.6	+12.2
80-84 years	64.4	65.6	65.9	66.9	68.4	69.8	71.0	+6.6
85 years & over	47.8	49.4	51.9	54.0	56.1	58.2	60.5	+12.7
Total	4,232.9	4,375.8	4,485.1	4,553.4	4,554.8	4,574.9	4,585.4	+352.5

Source: CSO, Amarach Research
*2012 numbers estimated

Trading environment in Ireland

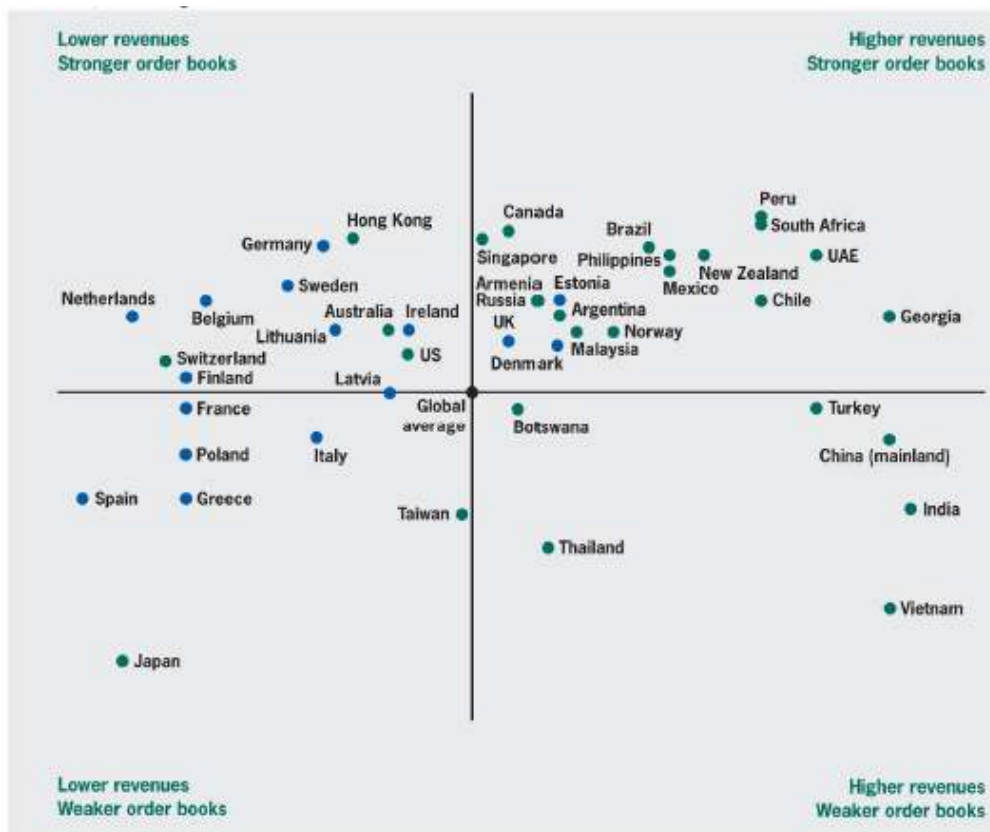
- Businesses need to look out not in

- population 4.5million (UK 63m, Germany 81.8m, France, 65m)
- Ireland is the same market size as Manchester
- average disposable income decreasing yearly:
2012, (€21k), 2010 (22k), 2008 (€24k)
- shift from period of low regulation, plentiful cash,
to high regulation, limited finance
- Challenge of balancing the government budget
- over-sized debt burden –
public, personal and corporate



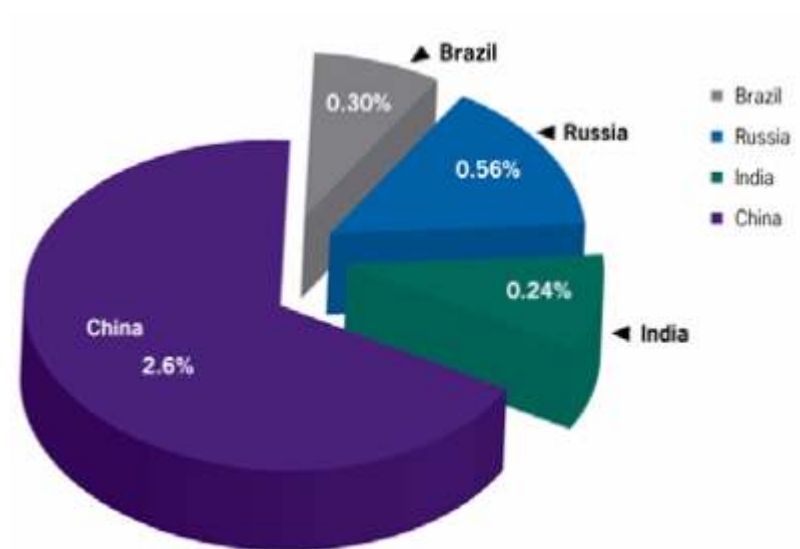
Global opportunities – or not?

2013 business expectations for order books versus revenues



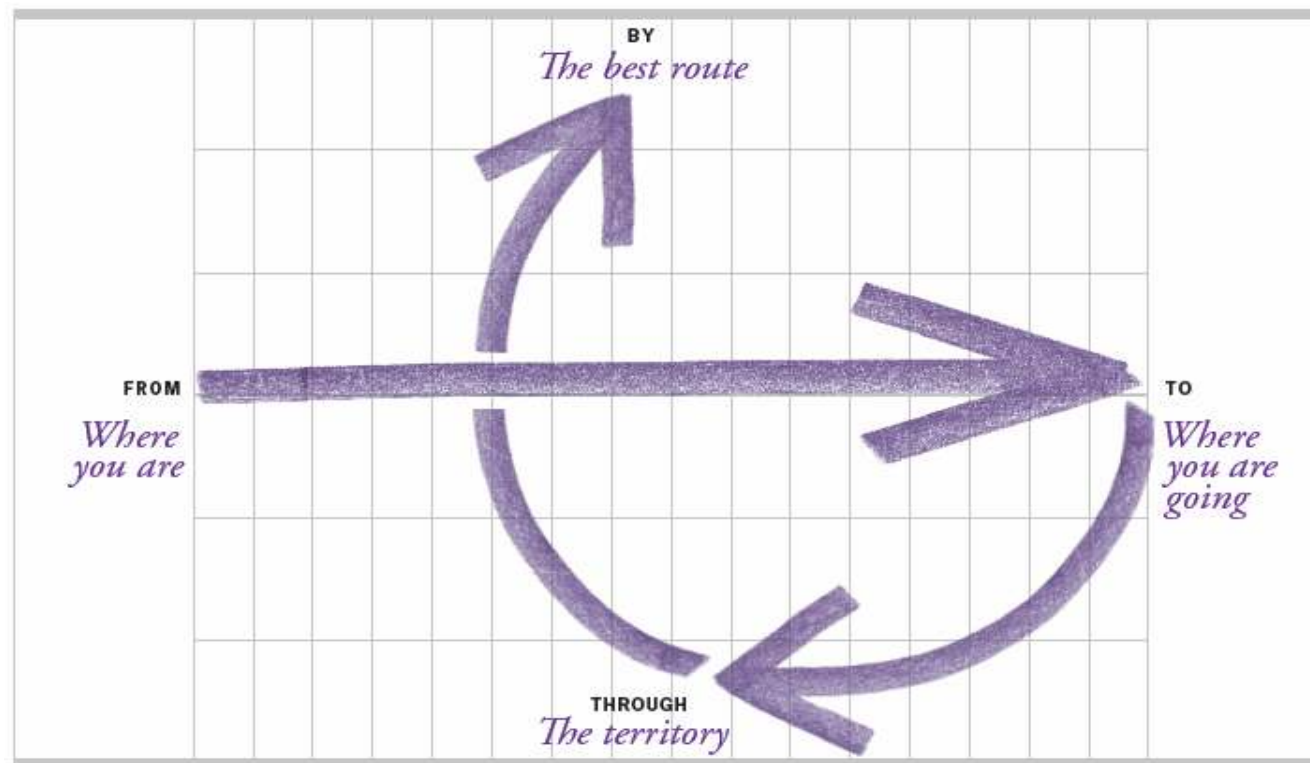
Source: Grant Thornton International Business Report 2013

Irish exports of goods to BRIC countries (2011)

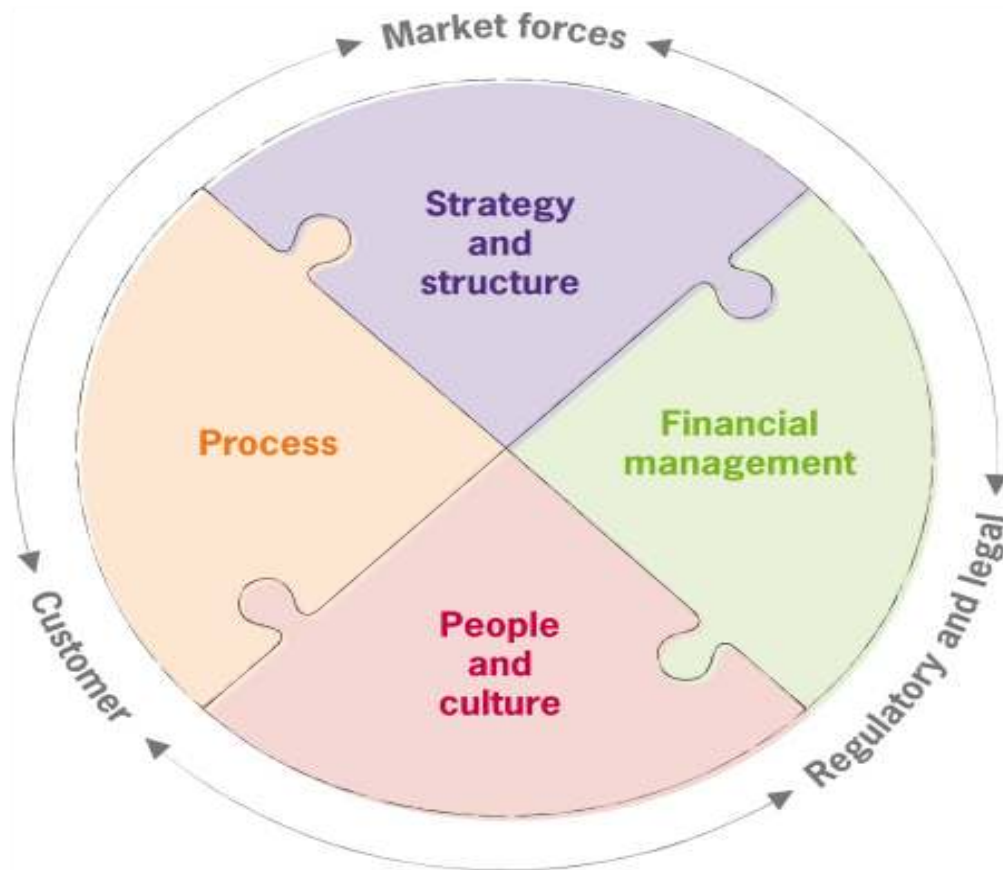


Source: Irish Exporters Association

KPIs – guiding through the territory, & by the best route



Smart businesses navigating complexity

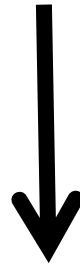


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KPIs: A set of quantifiable measures that a company or industry use to gauge or benchmark performance in relation to their strategic or operational goals

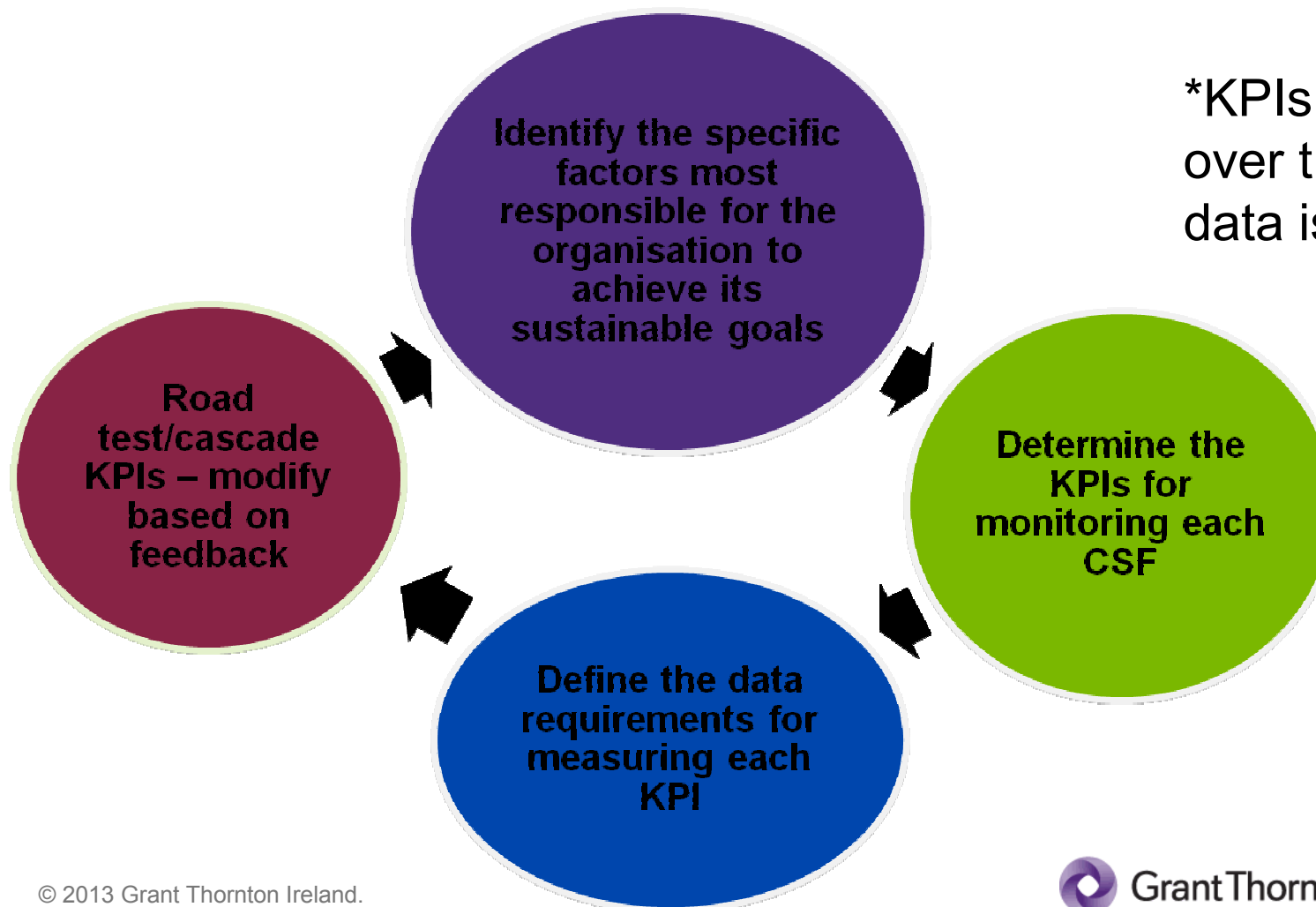
Why KPIs?

The key areas where 'things must go right' for the business to realise its potential



KPIs should drive management and organisational efficiency in the allocation of time, money and effort. KPIs provide information that is timely, relevant, reliable, measurable at both a granular and macro level

The KPI approach














*KPIs evolve over time & trend data is key


KPI approach to costs

- root and branch analysis of all costs
- enforce a cost conscious culture
- ask the challenging question of each item:
 - do we really need to incur this cost?
 - can we run our business without it?
- know and identify Key Performance Indicators around costs
- use past as an indicator only but don't be a hostage to historics

KPI – driving accountability, responsibility and reward

	Strategic dashboard	Tactical dashboard	Operational dashboard
Executive level • Senior management	Senior level – scorecard  <div>Line of sight/management</div>		
Business unit level • Business unit heads	B.U. scorecard 	<div>Optimise</div>	
Functional level • Department heads	Department scorecard 	Functional dashboard 	<div>Control</div>
Bottom level • Process supervisor • Sales, individuals, etc	Performance plans Regular review 	Reports and queries 	Process management dashboard 
 Executive KPIs	 Business unit KPIs	 Functional KPIs	 Operational metrics

An example of how to run quarterly/monthly meetings – focus on past, future & alignment of operational result with strategic goals

		(ENTER BU NAME) QUARTERLY REVIEW FORM REVIEW OF PERFORMANCE IN Q4 (2012) AND PLANS FOR Q1 (2013)	
FINANCIAL PERFORMANCE	Key Issues from Q4		Targets for Q1 2013
	1		
	2		
	3		
	4		
	5		
Talent	Key issues from Q4		Targets for Q1 2013
	1		
	2		
	3		
	4		
	5		
	6		
Business Development	Key issues from Q4		Targets for Q1 2013
	1		
	2		
	3		
	4		
	5		
	6		


An example of how to run quarterly/monthly meetings

— focus on past, future & alignment of operational result with strategic goals

Progress against strategic objectives		Objectives	Progress YTD	Targets End of Year
	1			
	2			
	3			
<u>Longer Term Plans</u>		For 2013	For 2013+	
	1			
	2			
	3			

Example – Meetings – drivers of change

- Meetings are key to driving accountability
- Eliminate 'waste of time' meetings
- Change should be driven by regular operational review meetings – not just a talk shop
- Use minutes of meetings to drive change
- Structure of minutes
 - a) a record of what occurred &
 - b) record what must be done:

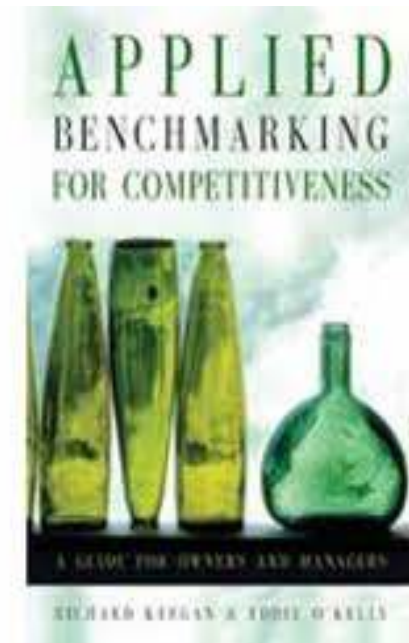
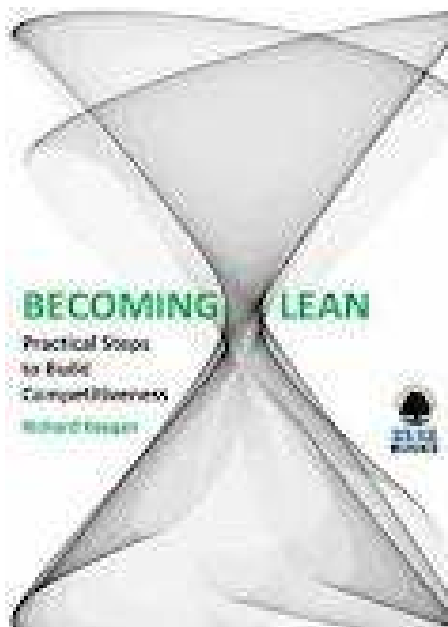
No.	Action	By whom	By when	Status/update
1	Resolve issue 1	JT	31 March 2013	

KPIs – helping a to create a culture of continuous improvement

1. Have a plan ☒
2. Everyone knows their role ☒
3. Have good information ☒
4. Deal with the issues ☒

3&4 are not possible without KPIs

Lean – what is lean/six sigma?



Lean/six sigma implementation

- Process mapping – what are you doing?
- Physical tracking – where does information or paperwork go?
- Check sheets – what is going wrong?
- Run charts – is it getting better or worse?

Implemented through:

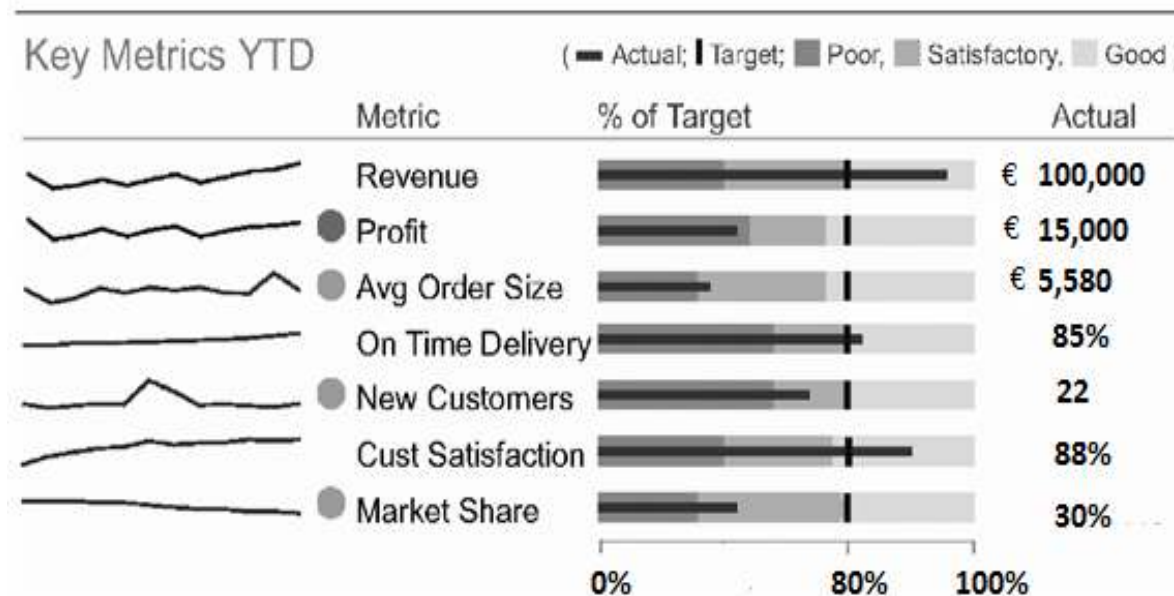
- Facilitator – leading teams to eliminate waste, through identifying and implementing KPIs

Examples of KPIs in action



Key performance scorecard

- Example fabricator - KPI



Guardian Roof case study



How did management drive growth?

Identifying need for change

- **Management** - understanding of critical need for change, with eye on UK market
- **Rightsizing** – becoming leaner, more efficient and effective, by correcting/adjusting to contracted Irish market
- **Bank relations** - external advisors management of relationships with banks
- **Smart technology** – leveraging unique IP rather than relying on 'me too' products
- **Smart process** - putting a series of smart processes in place – management information systems (MIS) around KPIs
- **Financial projections** – sales targets supported by sound financial projections

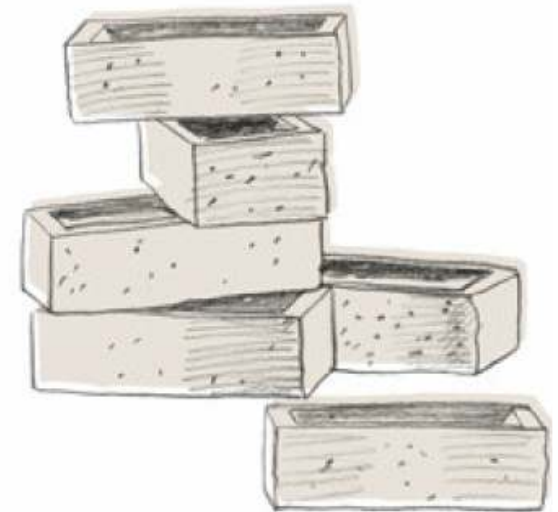
Creating platform to drive growth

- **Rightsizing to Irish market through smart process** - detailed regional analysis of sales & the cost attributed to each region
- **Smart process - KPIs** - around margins, product categories, customer types, cash-flow, etc. in Ireland
- **Smart technology** - enabling technology: Guardian Roof systems
- **Talent & customers** – the sharp end of the pencil
- **Five phase approach** – launching Guardian Roofs from Ireland into the UK

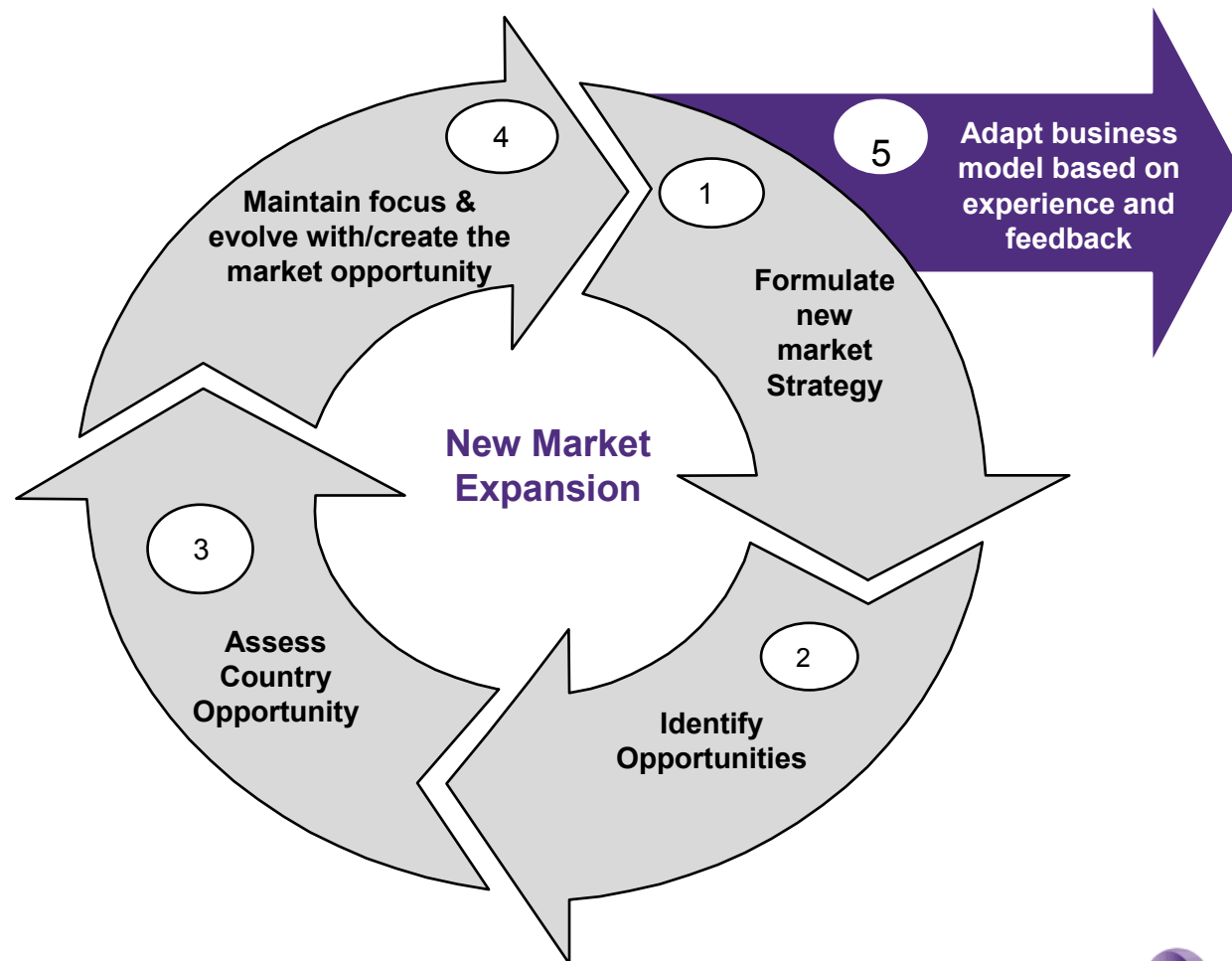


Construction industry – the old and new reality

- 1995-2007 record levels of construction activities across new residential and non-residential and infrastructure
- Employed 270,000 people – 13% of employment in economy
- Industry reached 25% of GNP by 2007 or €39billion
- 2007-2011: 'boom to bust' - output falls to €8.7billion in 2011
- Employment now below 100,000, <6%
- Opportunities limited as market demand disappears



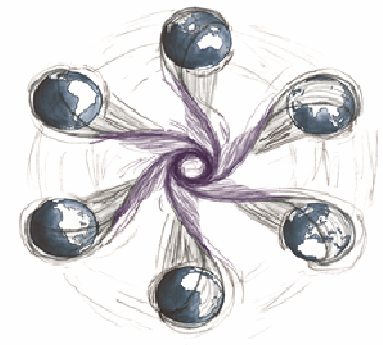
Grant Thornton Five phase approach



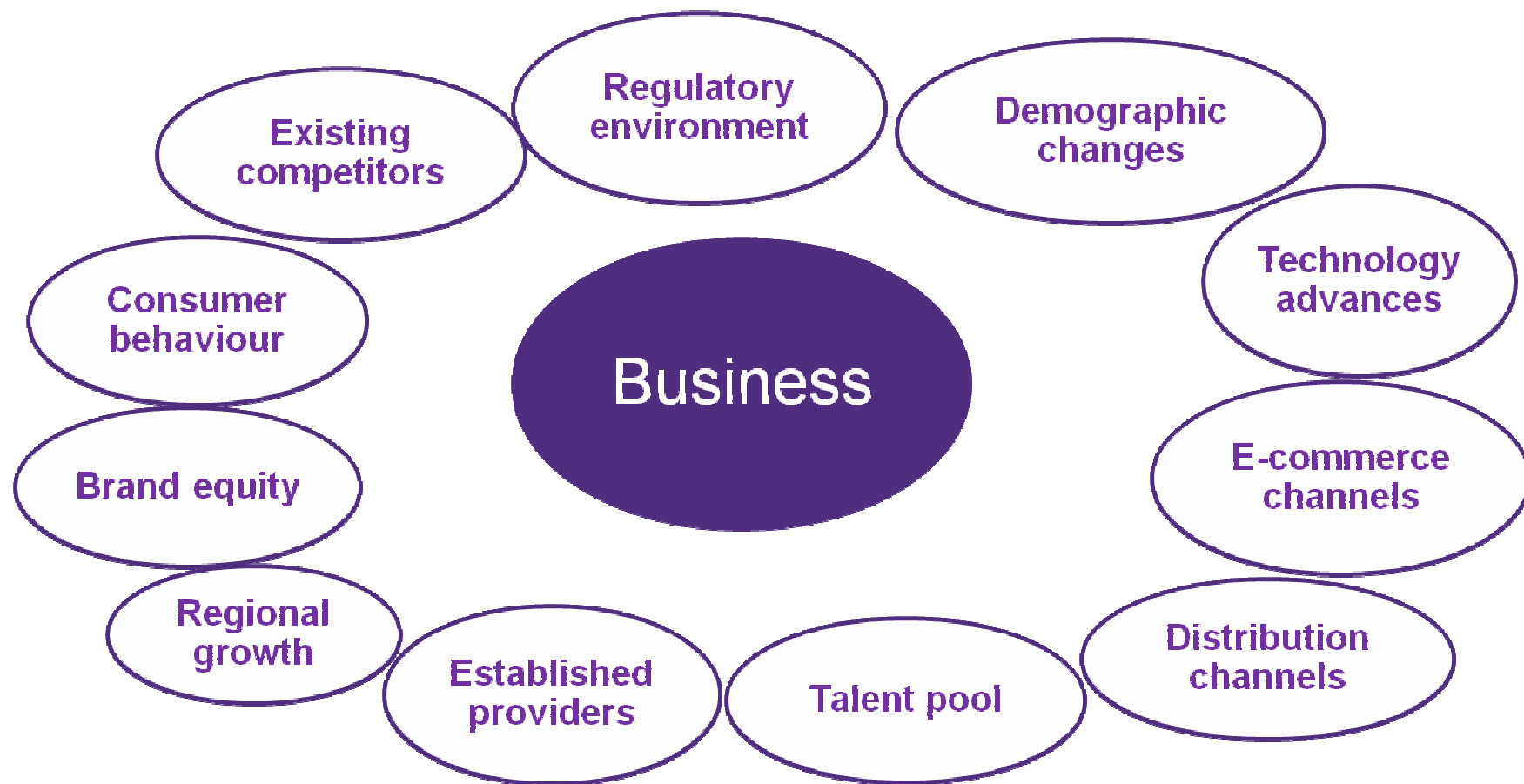
Formulate new market strategy

Ask the tough questions!

- Assess the company's finances
- Management's capabilities
- The companies readiness – organisational review, processes and controls/scalability
- Reasons for new market entry/selection criteria
- Vision and timeline for new market expansion



Non-traditional competitors



The point of inflection

No.	Action	By whom	By when	Status/update
1	Identify regions in the UK to sell Guardian Roofs. Create key metrics/KPIs for evaluating the decision to choose one region over the other			
2	Create a financial model UK Guardian Roof business			
3	Establish quality assurance scheme for admitting fabricators to Guardian quality assured system			
4	Grant Thornton to manage relations with bank, draft business plan/financial forecasts of breakeven point required in the UK.			
5	Development of Guardian website, timeline, functionality of the website - a sales platform, or a marketing tool			

Assess conservatory market opportunity – MIS's and KPIs around:

Fabricators/ Customers

- How to manage relationship with fabricators?
- How to manage relationships, implement system to track sales, provide support services, etc?
- What are the needs and buying behaviours of the target customers?
 - How are these different from Ireland and how to adapt new standards for the local market?

Products / Pricing

- How to determine the right portfolio of products, services, formats, and locations to serve the intended customer profile in the local market?
- What is the optimal pricing and promotion for the market across channels and formats?
- What lessons can be learned from the pricing strategies of other alternative products?

Operations

- How to manage operations from Ireland?
- How to streamline supply chain processes to gain the necessary speed to respond to customer needs?
- How to adapt best-in-class operations policies and procedures?
- How to structure shared services support across IT, logistics, distribution centres?
 - How should total footprint develop in the next 5 years in the UK market?

Financial Metrics

- How to increase sales targets and profitability?
- What existing KPIs are relevant or need to be modified - to review and monitor and remodel on ongoing operations?
 - How to improve expense leverage?

Risks

- How to mitigate legal, regulatory, reputational and other risks?

UK market for conservatories

£564m

Since 2008, the conservatory market has been characterised by poor performance and large volume declines. However, it is still estimated to be worth an estimated £564m.

3.6m

Estimated number of UK conservatories in the UK, with annual construction of new conservatories estimated to have declined by c.50% in 2011 v 2007.

2m

Estimated number of UK conservatories in the UK over 4 years old.

£1.3bn

The UK government's 'Green Deal' is expected to stimulate an already growing refurbishment market aimed at improving energy efficiency in the residential market. £1.3bn has been earmarked a year to subsidise energy efficiency measures for low income households



Entry vehicle – route to market

What is the most appropriate entry vehicle?

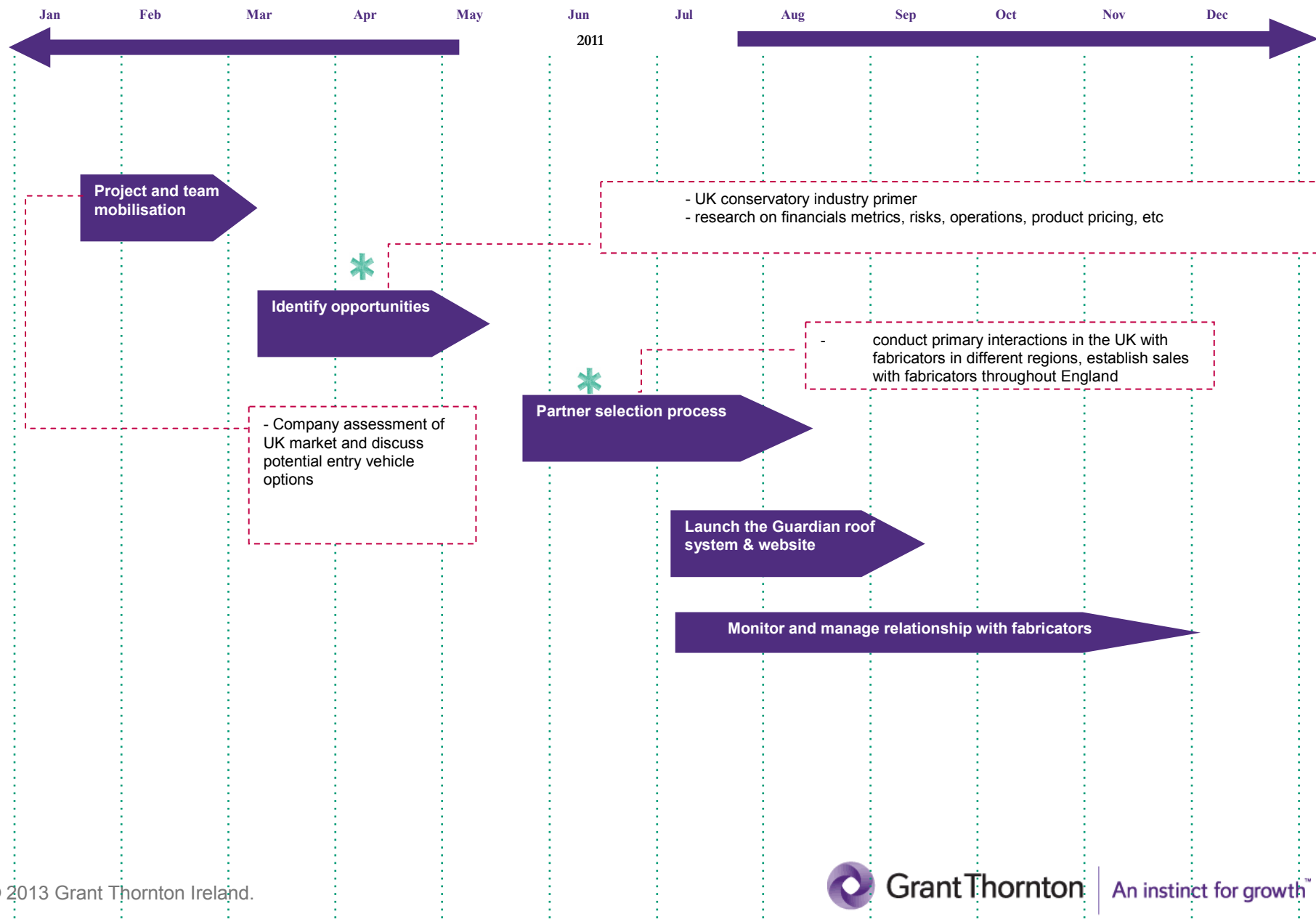
Bricks - Owned (greenfield vs buy-out acquisition) - associated rents, rates, staff, operating costs, financial and staffing risks; ✗
co-opetition model - third party fabricators (spread the risk across a number of fabricators, greater geographical reach) ✓

Clicks - boundaryless, instant (access anywhere/any-time), increased customer experience, reduced risk of failure, less expensive. ✓

Decision

Co-opetition – website sales channels partnered with fabricators & suppliers ✓

Timeline of progress



How we run the Celuplast & Guardian business

1) Know the numbers

- a) Ireland – Detailed regional analysis of sales and the cost attributed to each region - margins , product categories, customer types ,etc.
- b) Sales targets for the UK v costs. Resources required to reach figures, and details of how to achieve sales targets
- c) Credit terms with customers (and industry standard) v working capital available. Detailed cash flows to gain support on banking facility.

2) Smart technology and processes

- a) development of custom made software to aid fabricators with design and construction of Guardian roof
- b) full technical support for queries on software with remote access
- c) online lead generation and marketing campaigns
- d) online verification and validation of fabricators and installers for the homeowner
- e) all of this is managed from the Republic of Ireland office, with existing talent and expertise driving the business forward. This has reduced the risk associated with unsuccessful recruitment

3) Co-opetition model

- a) a detailed profile of Guardian's potential partners were drafted
- b) as part of sales targets management identified the number of partners they needed in the market
- c) a step by step process of fabricators from initial commitment to full scale production and expected timescale of same
- d) technical and marketing support, with brand building to bring value to their business
- e) using management's relationship with suppliers to negotiate best deal for fabricators as whole – a fair value chain.

4) Regulation

- a) Guardian roof is the only system of its type to achieve Local Authority Building Control type approval. This was supported by a complete portfolio of structural and performance tests carried out by market leading bodies.
- b) being on the right side of regulation has given us a first mover advantage and created new value in a new market

Route to Market

Product/service

-> Guardian roof systems

-> Fabricator sales channel

-> 2 million UK conservatories older than 4 years

Market

-> KPIs through MIS's, LABC type approval/Kingspan insulation board

Technology the enabler

Q&A

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