



facilitators of organisational and personal transformation

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Industry

- Primary Industry
- Global Fibres Business

Category

- Strategy and business development

By-line

Global wool expands into fibres –a good yarn

Context-Background

A wool industry family company with a diversified portfolio in real estate, wool growing, processing and distribution, tannery and wool derivative manufacturing products.

In January 2004 a decision was made regarding a strategy to divest the wool business from the larger family business and to buy out the wool business.

Keogh Consulting was engaged to work with the joint MDs to develop a strategy to complete the management buy out and to reposition the business on a diversified growth path to form a foundation for expansion and capital value creation.

The Challenge

The Challenges presented themselves as

- Family owned business with established traditions and entrenched practices
- Cash flow short fall with 'tired' capital, management and staff
- Captured market with surety of supply but with a volatile and increasingly competitive market with a vulnerable fibre – wool
- Low margin business, with high operating costs, but with established capital base and plant with no debt
- Technically sound and industry savvy management, loyal, but not used to the rigors of high performance
- Avoidance of confrontation, poor performance and the hard commercial decisions
- Innovative, creative with a flair for brokering international deals and fostering relationships

The Keogh Approach

The potential to embark on a buy out for predominately sentimental reasons was quickly dismissed.

Key stages in the buy out strategy and the development of the transformation and business development strategy were

- A two day directors' business development retreat to design the vision to 2010 and buy out strategy, audit existing business, gap analysis and evolve a strategy to take over and rebuild the business by 1 April 2004
- Preparation of the bid and the offer price for buy out
- The development of a transition plan post sale that would support the offloading of assets, liabilities and personnel that would not have portability in the new organisation
- Development of a 4 stage transformation plan for the 6 years - 2004-2010 that included stabilisation, business foundation, growth and synergy



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- Engagement of the new senior management team in owning the strategy and its execution
- Introduction of several key initiatives that positioned the business for growth. They included
 - Management talent assessment and profiling
 - Goal and objective setting for all functions and business units
 - Clarification of roles, responsibilities, accountabilities and key result areas with a clear line of sight from each person's job to the corporate objectives and vision
 - Management and workforce forecasting based on annual growth staged organisation structures
 - Re-branding and repositioning the business
 - Outplacement of senior executives who were not in alignment with the direction and performance objectives and desired outcomes
 - Engagement of new talent in line with future business growth objectives
 - Aggressive deployment and investment in off shore manufacturing and process plants to reduce cost base, open up new customer access and leverage the brand name and customer base

The Results

- Five years on the global business has evolved
- Establish operating plant in China with two year capital payback
- Established two operating plants with JV Japanese partner in Malaysia
- Reduction of operating plant in South Australia with more effective utilisation of equipment and reduced operating costs
- Commercialisation of four new product lines with two developing into new business units
- Relocation out of the South Australian plant to liberate excess space for lease
- Purchase of an Adelaide, South Australian property and commencement of redevelopment of the site as the new global HQ for the business – complete September 2009
- Succession plans in place for all three levels of management from chairman to MD, COO and senior managers
- Market capital value creation of \$55m in 4.5 years
- Operating costs per kilo reduced by 25% and the margin of profit relative to expense has increased by 25%-35%