A word to the wise on growing in tough times

Abi Cleland's Absolute Partners has enjoyed early success

REBECCA URBAN
STRATEGY

WHEN Abi Cleland meets a potential client for the first time, she has a relatively straightforward pitch.

"Less PowerPoint, more action," says the Melbourne-based corporate adviser.

"It's one thing to come up with a range of ideas on what a company needs to do, but for it to be realistic and executable and to make it work — that's where a lot of strategies come unstuck."

Having recently left a high-profile role heading 333 Management to set up her own advisory firm, Absolute Partners, Cleland has been enjoying the sort of early success that many small business operators only dream about.

Since launching almost a year ago, the firm has built a strong clientele, including the recently listed IVF provider Virtus Health, insurer Suncorp, Energy Australia, Aussie Farmers Direct and several emerging online businesses.

Absolute Partners has five permanent staff and has since established an office in Sydney headed by Manvinder Grewal, who was previously a director of PwC's advisory practice.

While at 333, an offshoot of insolvency firm Korda Mentha, much of Cleland's work was with distressed businesses, including, more recently, the troubled surf and skatewear group Billabong International.

It is a challenging gig to do long term, particularly for someone who sees herself as a "business builder" and relishes working side by side with management to identify and pursue opportunities.

"I didn't want to just do turnaround work," says Cleland, who believes that companies frequently seek external advice too late. "People sometimes stick to what they have always done and then they don't have the mindset to make changes," she says.

"That's one of the issues with trying to drive turnarounds."

The keen swimmer and runner, who is married with two young children, has an entrepreneurial bent going back to her early career.

Having joined BHP in the mid-1990s through its graduate intake program, one of Cleland's early assignments was to help the resources giant establish a third-party logistics business in Asia.

She later joined packaging group Amcor, where she rose to the role of general manager of corporate development.

> Cleland is 'very good at executing a strategy. She's quite unique that way'
>
> JULIAN SEGAL
> CALTEX CHIEF EXECUTIVE

She has held a variety of senior strategy, business development and marketing roles at companies including Incitec Pivot and ANZ, where she led a team of more than 300 people.

Cleland is surprised, but nonetheless pleased, that the majority of the briefs so far have been from companies chasing growth opportunities rather than turnaround candidates.

One of the biggest challenges facing business at the moment, she says, is identifying ways to grow.

Many have already been through rounds of cost-cutting and are facing the realisation that it could still take some time for the economic environment to pick up, she says.

"A lot more companies are saying to me that they're thinking about changing their business model, doing a joint venture or going into an adjacent area," Cleland says.

"It's a lower-growth environment and there's a lot of changes in the market, say around online for example, that are causing them to think about doing things in a different way.

"In this environment you have to keep reinventing yourself or find ways to do things better. It's a very difficult environment to extract a lot of growth."

Julian Segal, who snapped up Cleland from Orica after he was installed as managing director of the then struggling Incitec Pivot in 2005, agrees that growth, or lack of it, is a key concern for many businesses at the moment.

Now chief executive at Caltex, Segal is a strong supporter of his former colleague.

"I think she's got a brilliant mind," he says. "The good thing about her is normally people are good strategically but not at executing and she's very good at executing a strategy.

"She's quite unique that way."

Seasoned investment banker John Wylie was so impressed with Cleland's input as a director at online publisher Australian Independent Business Media, which was acquired last year by News Limited (now called News Corp Australia, publisher of *The Australian*), he invited her to join the investment committee of Lazard's second private equity fund.

"She is a very effective operator," Wylie says.

"Obviously, AIBM was a start-up and had all that entrepreneurial risk.

"But it was also operating in a sector that was going through tremendous change, so it needed to have people around the board table who could think creatively and laterally and make a good contribution. And she did."

Just as the media industry has been going through a significant structural shift in recent years, Cleland singles out manufacturing and retailing as two industries that will be forced to think differently to remain viable.

Retailers, she says, need to better understand what their customers want and then build a proposition that is superior to the competition, backed up by an efficient supply chain.

She says although there's a lot of debate about the online threat to traditional bricks-and-mortar retailers, online is merely another distribution channel.

"Dick Smith is a good example of a traditionally bricks-and-mortar company doing well," she says.

"It just shows what is possible with a clearer proposition, clever alliances and a more efficiently run business.

"While there are some amazing, profitable online businesses, many still don't make money."

Cleland frequently sees cases where opportunities for growth remain unexplored because "everyone is in the mould of doing their day-to-day job".

Having a corporate background herself, she has no illusions about how hard it can be to actually make changes.

However, she says, the rewards are waiting for businesses that are willing to consider opportunities.

"That can make a lot of difference," she says, "and drive a lot of growth."

AARON FRANCIS

Abi Cleland sees herself as a 'business builder' and relishes working side by side with management to identify and pursue opportunities

Political certainty to spur market activity

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uncertainty. He said the combined fillip to consumer and business confidence would create a much improved environment for M&A and IPOs.

"The first and most important area of focus is to create political and regulatory stability," he said.

"Political instability in recent years has created a more difficult environment. In the medium term the next government should work towards addressing the productivity issues that exist within our country. Government policy has to be based around the premise that Australia must remain competitive on a global basis."

Simon Ranson, head of M&A at Citi, said all the bank's clients thought conditions would be more positive after the election, making him very positive about the outlook for deals. But he cautioned "they are not done deals yet", meaning a rally in activity might not occur until next year.

"We're seeing corporates being much more positive about acquisition opportunities than they've previously been," he said.

"There is quite a pick-up happening and people are keen to see the change (in government) and they're anticipating it and they're approaching opportunities as if the election has already been decided."

Another veteran banker from an independent investment bank said while his pipeline was "extremely full", it might be another relatively subdued 12 months of activity.

"I think they (the Coalition) will come in and say it's a lot worse than they had thought and like any incoming CEO there'll be a fair bit of deck clearing and the cost cutting will probably be more severe than anticipated," he said, declining to be named. "That will inevitably lead to a period of introspection when people are a bit nervous about their jobs.

"But when it turns it will turn very quickly because most corporates are very well prepared."

JPMorgan's Mr Gidney agreed deal flow might not really fire up until 2015, noting markets tended to remain "soft" immediately following federal elections. "Very broadly, the Australian sharemarket is currently biased to yield over growth. However, corporate boardrooms remain critically interested in the medium-term outlook," he said.

Goldman's Mr Johnston added: "Even if we get a change in government and it's a clear majority — all the things people want — the economy won't be any different immediately and new policies won't have been implemented let alone have had an effect."

John Murray, managing director of fund manager Perennial Value Management, said the IPO pipeline was growing and greater confidence from a decisive Coalition win would help release flow.

"From where we sit as a potential buyer, we would welcome that, as one of the frustrating aspects about the Australian sharemarket for a while now has been the relatively limited number of stocks to choose from," he said.

Infrastructure should be top priority for the incoming government

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about $40 billion over the next three years.

But other sectors strongly connected to the resources boom, including transport, warehousing, manufacturing and business services, are also needing to adjust.

So we need to get infrastructure moving, along with both private and public investment, so we can keep our economy strong and improve our living standards.

The BCA's Action Plan for Enduring Prosperity estimates new infrastructure investment of more than $760bn is likely to be needed over the next 10 years. That amounts to new private and public spending of at least 4 per cent of GDP a year.

We welcome the fact that infrastructure has featured strongly in the election campaign. Whoever wins government today will need to act decisively to secure the infrastructure investment Australia needs to support the country's long-term prosperity. This should be founded on the philosophy that has underpinned policy reform over 20 years that the private sector is best placed to deliver infrastructure.

The next government needs to recognise that there's no magic pudding for getting this done. It will take a decade of hard work to sort out how Australia prioritises, plans and pays for our current and longer-term infrastructure needs.

Governments need to engage the community in all of this and inform people about why infrastructure investments are in the local and national interest.

Providing the infrastructure that does what Australia needs it to do into the future requires the multi-faceted approach covered in our action plan. This approach must encompass the following broad actions.

1. Develop a new national infrastructure policy that clarifies the roles and responsibilities of each level of government and the private sector. That is, sort out who does what.

2. Move to private sector provision and full cost recovery with a regulatory system that allows the private sector to make an adequate return while protecting consumer interests.

3. Strengthen the independence of Infrastructure Australia and have it generate a national list of priority projects focused on lifting productivity. It needs to develop its own views, not just be a clearing house for proposals by state governments.

4.The commonwealth should work with the states to identify a rolling pipeline of high-quality public infrastructure projects, backed by cost-benefit analysis. That is, projects that are ready to go and that offer the private sector a clear incentive to invest.

5. States should produce regular 15-year infrastructure plans that provide a prioritised pipeline of projects for private investment, linked to their fiscal strategies.

6. A new federal-state infrastructure funding agreement should spell out funding responsibilities for projects and types of funding support (grants, availability payments, concessional loans, loan guarantees, etc). The priority should be for full cost recovery and user pays.

7. Federal government to lift its funding contribution by reprioritising spending in the budget and diversifying its funding sources. These monies should be placed in the Building Australia Fund and only spent on Infrastructure Australia approved projects

8. Build expertise to find innovative ways to encourage private sector investment through better risk-sharing, particularly in the early, more volatile stages of a project. Also encourage the implementation of unsolicited proposals frameworks that encourage ideas from the private sector.

9. Privatise remaining infrastructure businesses to improve efficiencies and innovation, and to raise funds to invest in new projects.

10. Work to reduce the costs of delivering major infrastructure projects.

This last point is probably one of the most important to lock in projects already under way, bring on the next wave of investment and encourage planning for the future investments we need. Governments need to understand that if cost or policy factors lead to projects being delivered poorly or not at all, then we will not receive the revenue and productivity benefits and it will be harder to attract future investment.

This will require a focus on reducing the cost of environmental approvals, lifting workplace productivity and continuous improvement in project management. An urgent priority is to restore the Australian Building and Construction Commission.

Getting infrastructure right is not just about announcing a new list of projects. It means fixing the systems so that we are continually planning, prioritising, funding and delivering projects to meet our infrastructure needs. These are challenging issues but surmountable.

Quality infrastructure is one of the hallmarks of a prosperous society. Our action plan offers a picture of what Australia can be in the future and actions that will give us the infrastructure to support it.

Jennifer Westacott is the chief executive of the Business Council of Australia

Corporate leaders call for an end to short-term policymaking after election

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into the future," said Kirstin Ferguson, chairman of the advisory board for contractor Thiess.

"In terms of investment, whether that's a large piece of national infrastructure or whatever it might be, but something that can give businesses and business leaders the confidence that we're looking for."

The five-week election campaign was preceded by a cut in official interest rates and marked by a slight improvement in consumer sentiment, a weakening in business confidence, a flat jobs market and a steadying of the exchange rate after it fell from above parity with the US dollar earlier in the year.

Company profits showed no growth overall and were distinguished in mining and industrial companies by job cuts and a halt to new expansion projects as boards attempted to placate investors with higher dividends while revenue remained flat.

CBA chief Ian Narev said the medium to long-term prospects for the economy were very good but the government could help to make sense of it for business and consumers.

"I just think we need a clear picture for how the economy might look and what sorts of policy responses a government might do in order to strengthen the economy for the long term so people know what to expect but can make sense of the environment around them if it changes," he said.

Patrick Snowball, managing director of Brisbane-based bank and insurance group Suncorp, said business needed to understand the rules of the game rather than being hit with short-term surprises like the bank levy.

"We're all trying to work out how we're going to provide the best level of service for our customers and what insurance and banking looks like in the future," Mr Snowball said.

"It's very difficult if the goalposts are being moved on a whim."

His main rival, IAG chief Mike Wilkins, echoed those concerns.

"Business is all about actually being able to have some certainty so we can actually make some investment, because some of those investments are long-term, and we'd like to see certainty in that rather than continuing to see policy changes, because that makes it really, really difficult to commit with any seriousness to some of the investments that need to be made."

Some have predicted a bounce in consumer, investor and business confidence if the government changes from Labor to Coalition this weekend. Shares rallied as much as 1.7 per cent over the five-week election campaign amid suggestions investors were pricing that gain into the market. Three days of falls have since narrowed that gain to just 0.3 per cent.

UBS equity strategist David Cassidy said there could be a bounce in consumer and investor sentiment after the election if there was a clear result, but cautioned that it was unlikely to last because of the uncertainty ahead.

People were likely to see how issues such as the budget deficit, the carbon tax and the influence of minority parties in the Senate were resolved before a clearer path emerged for the economy, Mr Cassidy said.

Nicole Birrell, a director of SMS Technology & Management and Superpartners, said the new government needed to demonstrate "discipline in execution" of its policies.

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THE INVESTOR'S SECRET

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