Mainfreight

Strategy with insight

Mainfreight's growth strategy is global, pure and simple. It is also about people. It is the kind of aggressive, committed yet insightful strategy New Zealand needs more companies to emulate, according to the judges of this year's ilume Best Growth Strategy Award.

Mainfreight was last year's Top 200 Company of the Year and won this award category in 2007. Its chief executive Don Braid has twice been voted the Deloitte/*Management* magazine Top 200 Executive of the Year. Mainfreight's excellent pedigree is there for everyone to see.

The company consistently performs to high standards, in good times or bad. And this year the consistency and excellent execution of its strategy cannot be ignored, according to the judges.

In its own words, Mainfreight had "another record year of growth, success and development of [its] business and people". Analysis backs this up. The company, now 20th on the Top 200 list, increased its sales revenue 35 percent to $1.8 billion. Its net profit before abnormals was a record $80 million: a lift of 213 percent.

The company sees this excellent outcome and growth as the base from which it plans to deliver its global growth strategy in future. As Braid put it in his managing director's report: "We remain positioned for a lot more growth."

The acquisition of the Netherlands-based Wim Bosman Group has taken Mainland into Europe, the significance of which is clearly articulated in Mainfreight's annual report.

"The importance of establishing ourselves in Europe should not be underestimated, particularly as our profile increases with multinational customers who continue to search for more efficient supply chains and better providers of service than they have had access to in the past," says Braid.

The company considers its European move and strategy "defining" for the business. It has established a "European footprint" from which it will extend its global growth strategy. But last year the company also found growth and increased its profitability in its other business units around the world.

"The exposure to large global customers comes with an increased responsibility to perform in every country to the highest levels of quality possible, particularly in our home markets of New Zealand and Australia," says Braid.

Mainfreight's global business and growth strategy is deeply rooted in its people and employment philosophies. Its founder and chairman Bruce Plested articulated it in his report this year. The company, he said, has to "think about other things than growth and profit" as it matures and grows its global business.

"Some larger companies have written ethical standards, and the time may be coming when Mainfreight does the same. For now we will continue to operate with the highest ethical standards from our history, hearts and leadership, always considerate of the laws of the countries in which we operate, the laws of nature, our individual team members, our customers, our suppliers, and all other peoples and cultures. Our ethical reputation is of extreme importance to us as we continue our 100-year journey," he wrote.

Plested believes what makes Mainfreight's global logistics business different from other global companies is that each branch and country is reliant on another to ensure the completed provision of its service.

"Poor performance in one branch, big or small, can result in the loss of the customer in the whole country, and could cause us to lose the business worldwide. For this reason, we must have a high level of trust and respect amongst all our people and branches. We need to have a generosity of spirit and a 'can and must do' attitude to every piece of work or problem," he says.

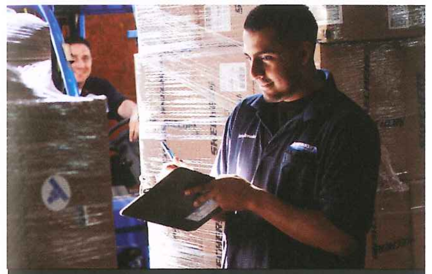
The judges were impressed with the articulation and delivery of Mainfreight's strategy and with its ability to maintain total and unequivocal commitment to its people-focused operational and organisational culture.

They were also impressed with the company's ability to deliver its global strategy from New Zealand, and to accomplish outstanding growth and financial performance despite having to deal with a difficult global economic environment.

According to the judges, the strength and importance of the "Kiwi culture" the company has so far managed to maintain is best exemplified by Plested's decision in March this year when he turned 70. He personally gave $1000 to each of over 4500 "global team members" who had been employed by Mainfreight for a year of more.

It might not be text book strategy but it's probably a measure of why the company succeeds. M

BEST GROWTH STRATEGY AWARD JUDGES' COMMENTS



WINNER
MAINFREIGHT

Mainfreight's local and global business strategy continues to deliver outstanding results. It was last year's Top 200 Company of the Year and won this Best Growth Strategy award in 2007. However, the company has changed since then and is back to collect the award again this year. Mainfreight provides an outstanding example of how to build and implement a strategy to successfully take a New Zealand enterprise to the world while managing it from a seemingly remote home base and preserving the strong people culture that has underpinned its long-term success.

The company is unafraid to clearly articulate its growth strategy. The past year has, it says, further defined the business. It established a European footprint through a major acquisition and from that base it intends to further grow its global business servicing multinational companies. At the same time Mainfreight has continued to grow its revenue in, and increase the profitability of, its New Zealand and other international business units. It continues to build on the successes for which it has already been comprehensively recognised by these awards in recent years.

FINALIST
AUCKLAND INTERNATIONAL AIRPORT

Auckland International Airport put in a strong performance once again this year, despite the best endeavours of the global economy to clip the tourism industry's wings. Its total after tax profit climbed an impressive 41 percent. Auckland Airport's growth strategy is both comprehensive and successful. It is another example of how well the mixed ownership model can work.

The company has a clearly articulated growth strategy that is now rewarding its shareholders. It seeks to maximise the yield obtained from its aeronautical assets, successfully developed its large land bank and boosted passenger numbers by attracting new airlines to the city. It has transformed into a customer-focused company rather than simply an infrastructure asset that people and airlines are forced to use. It is more than simply a tolling operator and deserves to be acknowledged for both its strategic stance and the success it has had implementing it.

FINALIST
DATACOM GROUP

This outstanding home-grown technology enterprise won this award category in 2009. That it is again a finalist proves the robustness, effectiveness and sustainability of its growth strategy. Datacom now generates more turnover in Australia and Asia than it does in New Zealand. Its compound revenue growth rate over the past 10 years is 14 percent despite huge change in the technology industry and it has done this from its New Zealand headquarters: an outstanding long-term record.

The company successfully competes with some of the world's largest IT service providers. And it is equally successful at growing its offshore business. This is a switched on, superbly managed and governed, state-of-the-market technology company. Datacom is not, like some technology businesses, a flash-in-the-pan operator. Its growth has been unrelenting and its profit performance seldom slips. And while it grows, Datacom continues to invest in its business – the hallmark of a sound, future-focused strategy.