



Twoeyes Venture and Advisory

“Established in 2000, Twoeyes is a strategic advisory firm that brings together highly experienced business specialists who provide outstanding clarity to help small, medium and large organisations reach their potential. We help private business owners and public and not for profit Boards, CEOs and Executive teams by providing clarity that only experience brings, to avoid unnecessary pitfalls and to more effectively and expediently develop, grow and improve performance.”

**Clarity
from
Experience**

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Twoeyes Insight: 'Creating a Strategic Operational Plan'

300 to 1 Odds for SUCCESS, if You Have a VISION...

Leadership has three key elements; Vision, Action and Spirit. Think of any leader you may have found inspiring. They will have had a vision. A place they were leading you or others. They were taking action on that vision, otherwise it's "all talk and no action", an empty promise. And almost always there was something about them and their cause, we'll call it Spirit that gave value and importance to the journey.

A key concept of our work at Twoeyes is that the reason for owning a business is to get more of what you "really" want. What you "really" want, and what your business will look like when it can finally give you that, is your Vision.

Key Strategic Objectives (KSO) are the clearly defined externally-focused targets that your business must achieve to make its strategy succeed and realize your Vision.

Taking action and measuring the forward progress taken on that action is what we call the Key Performance Indicators (KPI), the metrics that indicate the progress you make on your Key Strategic Objectives and ultimately, towards realising your Vision.

And, if the Vision is what you "really" want, chances are the passion you feel is subtly communicated to others - the Spirit of the organization.

Creating a Vision and the Strategic Operational Plan for getting there is not a time consuming task. In this 'Twoeyes Insight', I hope to provide you with some key questions to spark your thinking. The documented synthesis of your answers to the questions is all you need.

There are two types of questions; ones that produce tangible or measurable answers, and others that require more intangible answers. Let's begin with a tangible question - with 'Profit'. What is Profit? Most people report; "It's what's left over after everything else is paid".

I'd like to re-frame that definition. Profit is your Goal. It's what it's all about. It's the very foundation of your business model because without profit, your business isn't going to be worth much.

Without profit, rarely will your business be able to give you what you want - or need.

The first question to ask then is how much money do you need every year to live the life you deserve?

Assuming you never have to work again, how much do you need to pay all of your bills, cover all of your expenses and do the things you want to do?

Is it \$100,000? \$250,000? \$3 Million.

Add another 30% percent to your answer and you have the estimated net pre-tax profit figure your "future" business needs to make.

Once you have that number, estimate an efficient Net Margin that your future business could and should generate. (Some businesses will only be able to generate an 8% Net Margin. Other service-based business can generate as much as 25% - 30%).

Whatever you estimate, take your profit figure and divide it by the Net Margin to calculate the Gross Sales your business will need to generate.

Let's suppose, for example, you need \$150,000 each year to live your life. If you add 30% to that figure, your profit number is \$195,000.

This means that your future business will need to generate \$195,000 in profits, of which \$150,000 goes into your pocket as your annual 'dividend', and the other \$45,000 gets reinvested back into the company into some liquid, income-producing asset or activity.

Imagine that. Year after year, your business pays you this dividend and the remaining profit continues to build in a savings vehicle.

And this is what you're paid for "owning" the company - for starting it and for working ON the business as a shareholder-director whose job is to manage your investment in an income-producing asset - otherwise known as your business.



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On top of this, if you work IN the company - as an Executive Director or an employee, you should also receive an 'annual salary', commensurate with what you would pay someone else to fill that position.

In other words, your \$150,000 'dividend' is your reward for starting the business and for all the effort, worry, hard work and risk invested. Your annual salary is simply the amount the market would need to pay someone to fill the role - particularly if you chose to no longer be actively involved.

Let's also assume that a good Net Margin for this business is 15%. In other words, 15% of every dollar of Gross Sales is Net Profit. Following the calculation above, that would mean your business would need to generate \$1.3 Million in sales annually - (\$195,000/15%).

This scenario generates a flurry of really 'tangible' questions:

- Who is your typical client?
- Can you describe them and how and why they buy in intimate detail?
- How long is the sales cycle and who is involved in the decision making process?
- How often will they buy from you each year?
- How much will they spend on their average purchase?
- How many new clients will you need to generate annually?
- How loyal will they be? How many years will they continue to buy from you?
- What products and services do you need to sell to keep them satisfied?
- How many sales people will you need to get this number of sales?
- How many other positions will you need in the company to service this volume of business?
- How many offices will you have?
- What geographic areas or markets will you be serving?
- Will you be selling just in your metropolitan area, all across the country or internationally?
- How important is technology to support the marketing, sales and after-sales servicing processes?

Following this, comes a list of questions that can generate a less tangible series of answers. For example:

- What will it be like to work at your company?
- What will your life be like?
- What will others, (clients, vendors, colleagues) say about your business?
- What will be unique about the products or services you offer?
- Why will someone buy from you and not the competition?

The answers to these questions will help build an accurate model and a future Vision for your business.

It's a Vision that you can share with your existing employees as well as with your future new hires and all of those who come in contact with your business.

And it's a Vision that puts everyone on the same page with you. You and your team are now all on the same page striding towards a defined destination. It's a very powerful process.

Some time ago, a study was completed at the Harvard Business School. The survey found that only 3% of that years graduating class had actually thought about and documented their goals. Another 12% had thought about their goals but had not taken the time to write them down and the rest, 85% had not seriously considered their goals. That means that only 15% had any idea about creating their own future.

The same group was re-surveyed 10 years later. As a baseline, they used their average salary or earning power.

The survey found that the smallest group, the 3% who had actually documented their goals, on average, were generating 10 times the income of the largest group who had not considered goals.

The study went on to illustrate that, by clarifying your long-term Vision; then focusing on the Key Strategic Objectives you must achieve in the medium-term to reach that Vision, and then tracking your progress towards those Key Strategic Objectives through a defined set of Key Performance



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Indicators over the short term, you have a 300% better chance of success.

Having a clear Vision and a way of tracking the progress towards that ultimate destination seems like an obvious and useful tool. After all, having one gives you a 300% better chance of getting there.

But a 'Vision' without 'Action' is simply dreaming.

The recipe for a successful Vision can be summed up in just three words:

Clarity. Focus. Action.

'Clarity' gives you a definite purpose and a strategic intent. With clarity, you then have the ability to 'Focus'. Just as a magnifying glass can turn the sun's heat into a laser beam, so too can you harness the potential of your team through a strict focus on the few things that matter most. And with focus, comes the 'Power to Act'.

If you are interested in learning more about creating a Vision and a Strategic Operational Plan for getting there, please send me an email and I'll be delighted to help.

Best regards,

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Conor McKenna is a strategic advisor who helps business owners, Boards and CEOs develop, grow and improve their performance.

When providing strategic advisory services to private, public and not for profit organisations, Conor calls on broad experience, proven skills, professional qualifications & an international network of business leaders, financiers, private investors, government officials & service providers.

Founder of Twoeyes, a company he established in 2000, he is an entrepreneur, a business owner, a venture developer & an equity investor. He is also a non-executive director of and advisor to a portfolio of private companies, government bodies & not-for-profit organisations.

During his 20 year career, Conor has lived & worked in Ireland, England, USA, Canada, Italy & Australia. His experience spans many industries, including manufacturing, distribution, retail, professional services, internet, multimedia, glass & plastic packaging, wine marketing, water desalination, venture capital, medical & allied health services, corporate training, event management, disability services and the infrastructure and building industry.

Within these industries, Conor has worked with start-ups, spin-outs, family businesses, small-to-medium enterprises, large corporates, not-for-profit organisations and State & Local Government boards & agencies.

The founder & driving force of multiple ventures, Conor has broad operating experience: from the first employee in a start-up in the water desalination industry to a management role with the Australian subsidiary of a Fortune 500 American multi-national, where he was responsible for a \$50M budget & reported on 1B units in 'Just in Time' supply to the wine industry.

In 1999, Conor invented a patented technology that now forms the basis of a successful global product innovation. The company he subsequently founded has commercialised the technology & raised significant equity investment & grant funding. Strategic partners have been secured in major global markets & large-scale manufacturing capacity has been developed on 3 continents.

A Member of the Business Development Council of South Australia since 2006, Conor is one of twelve business owners appointed to advise the Minister for Small Business on matters relating to the SA business community. He is Chairman of the Business Development Council's Sub-committee for Fostering Innovation and Entrepreneurship. He is also a Member of the Sub-committees for Small Business Funding & for Family Business.

The founder & former SA State Convenor of AVCAL, & founder of the entrepreneurial network, First Tuesday, Conor is recognised as one of the pioneers of the Venture industry in South Australia.

Awarded a Churchill Fellowship in 2009 and a recipient of the SA Government's Venture Capital Scholarship in 2008, he is a graduate of both the 34th Venture Capital Institute in the USA & the AVCAL Foundation Course in Venture Capital in Sydney. He is due to attend the Private Equity and Venture Capital Program at the Harvard Business School in Boston in November 2009.

Conor holds an Advanced Master of Business Administration Degree from Adelaide University. He has completed the AICD Company Directors Course. He also holds an Executive Diploma of Business Planning; a Graduate Diploma of Business Administration; a Certificate of Marketing and a Bachelor of Arts Degree in Italian and English Literature.

He is a Member of the Australian Institute of Company Directors (AICD) and a Member of the Australian Venture Capital and Private Equity Association Ltd (AVCAL).

