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MONIER - AND HOW IT WORKS

By J.N. Davenport

(Mr. Davenport, Managing Director of Concrete Industries (Monier) Limited, was guest speaker at a luncheon meeting of the New South Wales Branch of the Society in Sydney on 6 June 1972. He has kindly provided the following summary of the main points of his address.)

Concrete Industries (Monier) Limited, or as we are frequently called, "Monier", is generally thought of as a company involved in a broad range of manufacturing activities, mainly concerned with concrete and mainly with the building industry.

Within our own group, we see Monier's future as a limited conglomerate with development and growth in our existing business, with involvement in new business, supplying and servicing the building and construction industry, and with participation in a major section of the leisure industry.

In relative terms, this change in emphasis from narrow-spectrum manufacturing to expansionary diversification, is a recent development. Our own rate of change has been, and will continue to be directed by the rates of change operating in all areas of the modern business world, in consumer tastes and demands, and within our own organisation.

Our ability to realise our aims is based on planning - specifically on five year plans each of which has an inbuilt, flexible capacity to question plan details and even the traditional areas of operations for which the plans were instituted.

Monier currently operates as six divisions:-

Pipe & Precast which includes our concrete railway sleeper operation in South Australia and precast operations in the Philippines.

Roofing with a major portion of the Australian domestic market, plus tile plants in New Zealand, mainland U.S.A. and Hawaii and Thailand. The Division also exports chemicals to these areas for use in tile manufacture.

Contracting where we have local involvement in drilling operations and a wholly owned subsidiary in West Germany carrying out cement lining of in-situ water mains. Contracting is "specialised" contracting where our processes or techniques give us an "edge", e.g. reservoir construction, chemical grouting, cement lining of water mains.

Raw Materials where besides a strong involvement in sand and gravel winning in four states, we have transport operations in New South Wales, Victoria and South Australia and also granite and marble quarries in that State. Raw material reserves will now cater for operations for a minimum of ten years and up to twenty-five years in some cases. Our granite is currently being exported to Japan and also to the United States and Europe.

Masonry with a strong involvement in the manufacture of concrete block and brick and also in clay bricks, in nineteen plants throughout Australia and New Guinea.

Mechanical which is in fact a mechanical engineering division involved in the manufacture of tile and block making machinery and spares, in consumer and building products metal manufacture and in general engineering products.

We also have majority participation in the manufacture and marketing of caravans, pleasure craft and allied products.

Our headquarters structure includes five divisions - Finance, Development, Marketing, Management Services and Research and Development. These specialist divisions are available at "no cost" to all operating divisions and sections - a group of free experts who are responsible to the Divisional Manager directly whenever they are called in by him.

This latter group has been responsible for the design and manufacture of our tile making machinery and other equipment and materials and in development of product colour finishes.

Management is in the hands of Divisional General Managers who in turn ensure that each Company or Section also manages its affairs. There is a great deal of autonomy in each Company and each is a complete profit centre with no costs charged against it which cannot be controlled by the Manager.

Research & Development. The Company has a considerable research programme with expenditure in excess of $700,000 per annum. Our research has put us in the forefront of the roofing industry and enabled us to go into the United States roofing market successfully and into other overseas countries to build up a considerable export of chemicals - to establish our cement lining business - to lead the world in chemical grouting techniques - to mechanise and automate some of our processes. New things are in the pipe line which could be extremely rewarding.

HOW WE PLAN

In essence, Monier bases its planning on a Five Year Plan. With defined objectives and controlling criteria, projected cash flow and balance sheets, projected budgeting (for market share, costs and profitability), capital expenditure and capital disposal, and control and direction of our plan becomes a meaningful exercise in management.

Progress is reported monthly and related against last year's performance and the budgeted performance for the current year, with management projecting the anticipated trading result to the end of the year.

In all sections of the company, results are measured against return on total assets - this is total assets, not net assets and in this area, property is notionally revalued annually. In this way we do not hold land for future development without knowing what it in fact costs to do this. We do not have operations which are perhaps based on real estate, with values well above the level that the business itself can support.

We do not have substantial idle stock.

We use this system because it works - as some statistics from the last five years will show.

Income has increased from approximately $38 million to $68 million - an increase of 79% and an increase in real terms of over 70%.

Sales per employee have increased by 74% over the five years and in real terms, 67% over five years.

Sales per dollar of plant have reduced slightly.

Sales on total assets have increased by over 40%, reflecting our good management and good planning but most of all it reflects the reduction of manpower and increased mechanisation in all possible areas.

In five year period our turnover has increased an average of 14% per annum, pre-tax profit 23% per annum and pre-tax profit as a percentage of income has grown at 5% per annum. We see these as exceptionally good trend lines.

Over this period also, the company has spent well over $20 million on new capital expenditure, on development and expansion of existing businesses, development of new businesses and new operations.

This money has come largely from our own internal cash flow and the rationalisation of assets.

Any business not earning 12% return on total assets must be justified or the five year plan should include for its disposal. In this context we have recently closed down our Structural Steel business which, although it has always shown profits in other years of its operation, is not making the sort of return which we can make with that money in other areas of operation.

None of this would work of course without the talented people necessary to make it work. We have a remarkably fine, talented group of people and we apply ourselves very seriously to all aspects of their motivation and training.

Our approach to operations in fact can be summarised in three points -

1. Get hold of the right people and give them the chance to do the job.
2. Set and regularly review, objectives and programme.
3. If there is a problem identify it clearly.