

INCLUDING The Director PAGE 51

NEW ZEALAND

Management

THE LEADERS' MAGAZINE

PAGE 30

AILING DHB Directors

TONY RYALL'S
HEALTH SECTOR TONIC

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The Paper Plus Tale

HOW MIKE PAARDEKOOOPER AND ROB SMITH ARE RE-WRITING THEIR BUSINESS

Former group general manager Warehouse Stationery Rob Smith was, until five years ago, a corporate man. Now he works in harness with Paper Plus storeowner and Paper Plus Group chairman Mike Paardekooper, re-writing their cooperative success story. They talked with Reg Birchfield.

IN OCTOBER LAST YEAR, Paper Plus group chair Mike Paardekooper and his CEO Rob Smith released – to the strains of a nationwide publicity fanfare – a new chapter in the story of their bookshop, stationery and cards chain.

They would, they said, refit their entire 106 Paper Plus chain of stores, paint them green and spend \$22 million on rebranding the businesses over the two years to December 2011. And, by the time they had completed the roll-out of shop re-fits the chain would, they said, have grown to between 120 and 130 stores. At a time when other bookstores and similar chains were, both at home and abroad, retrenching and falling over – this looked like either an inspired, optimistically ambitious or, heaven forbid, foolhardy strategy.

“Our decision to make the leap was a combined board and management strategy,” says Smith reassuringly. But how could such unity of purpose, clarity of vision and directed resolve emanate from an organisation which had, just four years earlier, been directed by a board that spent two whole days a month closeted in a meeting?

The answer, according to Paardekooper, lay in the Paper Plus board’s decision to appoint Smith as CEO in 2005 after the franchise’s former CEO, Garry Donoghue, retired and Paper Plus purchased the former NZ Post/Blue Star joint venture chain, Books and More. Following the acquisition, Paper Plus negotiated a new franchise agreement with NZ Post and the chain became a big business, with an annual turnover edging up toward \$200 million.

The board wanted more certainty around future direction options. Growth was fine, but the board of this once simple buying group that had been transformed into New Zealand’s biggest retail franchise cooperative, wanted to know which of its then four brands would take the business forward and, what was the business going to look like?

Smith’s appointment also marked the beginning of a strong and mutually reinforcing partnership between him and Paardekooper. “It was,” says Paardekooper, “a brave call employing Rob after Garry retired. Paper Plus had traditionally been slow to change. We needed a strong, visionary leader

who could build a team and get everyone pointing in the same direction, particularly as many of our members were resistant to change.”

But first Smith needed a better understanding of the cooperative model. “My background was corporate. The cooperative management and leadership style is different. In co-ops you must take everyone with you. In corporates you can be more direct and, to some degree, simply tell people what you want,” he says.

He rang Tony Carter – Foodstuffs chief executive and one of the most successful exponents of cooperative enterprise leadership. “We spent maybe half a day working through what made Foodstuffs successful. He was great. He gave me an understanding of a successful cooperative model which I took back to Mike and the Paper Plus board.”

Equipped with a better understanding of who he was working for, Smith – backed by Paardekooper – went in search of the answers his board and its independently-minded owner-operator members said they wanted.

“I was never, and am still not, concerned about the future of well-run book and stationery businesses,” says Smith. “And I believe that the owner/operator model, particularly in the regions, is essentially very strong. What we were looking at was the opportunity to grow the model. I see amazing opportunities for the group. Sometimes businesses get an opportunity or a break that only happens once. Our opportunity is now.”

“There was,” says Paardekooper, “some initial member resistance to Smith’s appointment. But now the board and management are in sync on the new structure and the strategy it has produced,” he says. “There has been strong debate and challenges on both sides. But since we made the call to employ Rob and to undertake a thorough review of our brand strategy, we have remained in sync.”

He also concedes that to take the business forward it had to separate out and more clearly define the different roles and expectations of governance and management. “Members who were directors tended to get too deeply involved in the

management of the business overall," says Paardekooper. "Now it is my job to run the board and Rob's to manage the implementation of the business strategy and we work well together on that."

Both men firmly believe in the effectiveness of the cooperative business model for a books and stationery chain.

"The cooperative structure works well," says Smith. "We have many astute operators in a cooperative like ours. But Mike keeps them on track with the bigger picture of the group and we have built a management support office to back them up."

The eight-member board now has two independent directors, former Progressive Enterprises managing director Ted Van Arkel, and professional director, Maurice Kidd.

Members, other than board members, are also plugged into the board through specialist committees – an approach that came out of Smith's talks with Tony Carter. "The member committees consider specialist activities such as product selection, pricing and marketing and promotion," says Smith. "And who better to tell us what is happening in the marketplace than the members."

"I now keep the board away from the day-to-day management issues and focus on governance," adds Paardekooper.

Smith and Paardekooper's working relationship is firmly based on a policy of "no surprises". "We have been committed to this approach since day one," says Smith. "You can't afford to have too many surprises in retailing."

"The relationship is also based on our willingness to listen to each other," says Paardekooper.

"That said, we may well be better friends when we are no longer in a work partnership. There is still that professional

tension. We need to maintain that."

"Mike's term as chair has another 18 months to run," Smith adds. "But I would like to see him remain in the chair until we have finished the roll out in 2011."

Smith thinks cooperatives like Paper Plus draw strength from the fact that their individual business-owner members have, as he puts it, "skin in the game". "They know their communities and the local markets and the business is part of their DNA," he adds. He sees no coincidence in the fact that New Zealand's two largest companies, Fonterra and Foodstuffs, are cooperatives.

Paardekooper and Smith believe they have re-built a sound business that is based on greater trust between the board, management and the co-op's members. "What has impressed me most is the degree of respect that now exists between the board and the management team," says Smith.

"It is not a fear relationship. Because the directors and members are owner/operators, they are part of the environment and the community and the business. They live, eat and breathe the business. There is no 'them and us' relationship. They all want to grow the business. With all due respect to other boards and directors, ours is not a business directors focus on for just a few hours every six weeks. This business is part of them. The mutual respect between board and management is fantastic," he adds.

The proof of the success of the enterprise and its new strategy will take a few years to deliver but Smith and Paardekooper are adamant that together, board, management and the members have done their homework and know the marketplace. And, after taking their strategy to their bankers around the country, they have their backing and their blessing to proceed. They are doing just that. ●



Cooperative partners:
Mike Paardekooper (left)
and Rob Smith.