

BUSINESS ENTERPRISE

PROFILE

Nothing pays off quite like hard yakka

In five years, Andrew Northcott has turned blue-collar labour into a thriving business, writes Mark Fenton-Jones.

Unlike other university students who exploited the internet to create their multimillion-dollar enterprises...

Queenslander Andrew Northcott decided to focus on old-fashioned labouring to make his mark on modern capitalism.

In 2004, at age 21 with \$800 in the bank, he established Labour Solutions Australia, a blue-collar labour hire and recruitment firm, operating from his mother's living room.

In his second year at Queensland University of Technology, he matched students, including himself, with landscaping and delivery jobs that often came from friends' parents.

The big change came in mid-2005 when he heard that Brisbane-based Smorgon Steel Recycling was looking for tradespeople and maintenance staff.

That lead was converted into a contract. It led to another from Grace Removals and then others followed from large organisations.

"That really allowed me to grow the business," he says.

In 2006, with one full-time and one part-time employee operating from a serviced office in Brisbane's Milton, he successfully applied for a \$15,000 small business grant from the Queensland government that was mostly invested in information technology infrastructure.

"I certainly helped at the time." In March 2007, he sold part of the business to Ken Warriner, the managing director of Consolidated Pastoral Company, which operates numerous rural properties.

"I'm really good mates with his son," explains Northcott. He also recognised the benefit of a partner

who was a senior businessman he could learn from.

"To bring in someone operating at that level, with his ability to understand a business, that experience was invaluable."

Warriner's involvement led to improving the professionalism and the internal IT and human resources processes of the business, he says.

"It is such an admin-intensive business and to really develop those internal processes was critical to get the business to the next stage and to be able to meet clients' expectations."

Labour hire is a low-margin industry, and any way of cutting costs improves the bottom line.

"Ken has guided me in setting up the right company structure and it's been a great opportunity to join his network of people."

"We've spent a lot of time and money over the last 12 to 18 months really developing the internal processes."

The business has bloomed, servicing the manufacturing, food processing and construction industries.

It has also branched into horticulture, supplying individual farms with between 10 to 300 staff in Queensland, NSW, Victoria and the Northern Territory. "We do mango harvests, strawberry harvests," Northcott says. "We provide a complete workforce management process."

The white-collar market was the next frontier for the business.

Last November, he launched LSA Recruitment, a franchise division targeting the professional white-collar market.

And as recently as July, LSA launched Enterprise License, which allows accounting and business advisory firms to offer



Andrew Northcott's runaway business is now selling franchises. Photo Glenn Hunt

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specialist HR services to their existing client base, as a secondary income stream.

As his business has grown Northcott has brought on board outside experts to give advice.

Both LSA Recruitment and Labour Solutions Australia have separate independent advisory committees.

LSA Recruitment has five members including the former general manager of a national recruitment company and representatives from corporate advisory firm Kaleb Partners.

LSA has four members.

"I made the decision to keep these groups separate to ensure independence is maintained and the strategic direction of both entities is appropriate for each

business, whilst obviously maintaining the synergies both companies bring to the group," Northcott says. Although he admits that the labour hire business has been tough since the start of the global financial crisis, "the efficiencies we've developed through the business really have enabled us to operate at a level that we couldn't before".

Those efficiencies include reducing staff at the Brisbane and Sydney offices from 15 to eight in the past year.

But he notes that demand is picking up. "It really has only been in the last month or two that it's started moving again."

Turnover last financial year was \$4.4 million to \$5 million but being a private company, LSA does not release its profit figures. This year Northcott is predicting \$14 million to \$15 million for LSA, but expansion of the franchise business of LSA Recruitment, which now has eight franchisees, is expected to attract an extra \$8 million to \$10 million.

Planned LSA acquisitions, including a recent labour hire business in Sydney, could bring in a further \$10 million to \$12 million.

"We are looking to expand into other states, and particularly increase our south-east Queensland presence through acquisition," says Northcott.

LSA has also lodged a collective agreement before the introduction of the Fairness Test that allows LSA to pay flat rates 24 hours, seven days a week, in industries such as meat or food processing, horticulture and hospitality.

"Although the agreement can provide significant and direct cost savings across all industries, industries such as hospitality, horticulture and food processing and manufacturing will gain the most benefit with cost savings of between 20 to 40 per cent on their total wages," Northcott says.