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Turning towards Technology

What started as a rotary-clothes-hoist manufacturer in 1945 evolved into a diversified holdings company, which has now restructured to focus on innovation, spearheading technological developments across several key industries.

Images by Scott Ehler

Starting his career as a lawyer and working in senior positions for some of Australia's largest technology providers, Ted Pretty has extensive experience within the telecommunications and IT sector. "I started life as a lawyer and finished my legal career as a regulatory lawyer in the telecommunication and technology sectors," he says. "I then joined the board of Optus when it was first created. Following that, I was a senior executive with Telstra for eight and a half years.

"I ran most of the divisions inside Telstra from retail to the internet business, through to product and technology, and I was the chairman of Sensis for quite a number of years. I then had a brief period with Macquarie Bank in the telco and media-entertainment sector, which involved a short stint working in the Middle East. I then came back to Australia and was sitting on the board of NEXTDC and also investing in a number of technology companies."

Ted was then approached by a member of the Hills Holdings board to take over the role of CEO and restructure the company. "I was the first CEO appointed who hadn't grown up in the business. The prior CEO was the family CEO, Bob Hill-Ling, who retired. There were two CEOs in the interim, but they had been with the company for a very long time and had grown up with it, whereas I was the first person to parachute into the business who came from a different industry background in technology.

"Hills Holdings was 67 years old when I joined, and it was a diversified holding company. It bought many businesses across the construction sector, the lifestyle and leisure sector, as well as electronics and communications. But the desire was to focus more on electronics and communications and exit some of these other industries. So instead of being a holding company, it would be far more of an integrated operating company."

"We're focusing all of our products in electronics and communications to end up in trusted environments like universities and schools, hospitals, aged-care facilities, airports, casinos, or public transport."

- Ted Pretty

For much of its existence, Hills Holdings has had a significant presence in the construction industry, particularly in steel, which it has since divested. "We've basically exited many of the other businesses that we've had. We've sold solar businesses, water-tank businesses, plumbing businesses, and all those sorts of things that were related to construction or lifestyle. Everything we have kept includes the original Hills products that the company founded years ago, and the bulk of the business now operates in the technology and communications sectors.

"We've said to the market that we would now orientate ourselves to supply products and services into trusted environments. We're focusing all of our products in electronics and communications to end up in trusted environments like universities and schools, hospitals, aged-care facilities, airports, casinos, or public transport because we are a leading supplier of electronic alarms and surveillance products into those markets. We've just recently >



acquired two healthcare technology businesses. So we've moved from a diversified industrial company to a provider of services and integrated solutions into trusted environments.

"It's about asking what has synergy with our brand value. The Hills brand is well known in the home environment, which is a trusted environment. Hills has other security and communications products, so it was a logical step. The challenge was making people understand that change in strategy.

"We're retaining our product innovation and design capability, which will involve manufacturing in whatever part of the world it's best to do that. It may well be that components are manufactured offshore and then the final assembly and integration is done here. I think it's important these days that we recognise we are in a global market, and you tend to go to the best supplier you can in terms of quality and price.

However, I want to retain our own innovation and design capability.

"As part of that, we've become the sponsor for the Young Designer of the Year Award in Australia, replacing Dyson as the major sponsor, as we wanted an Australian company to be the sponsor. We've also initiated the sponsorship of the Australian Information Industry Association and the Australian Computer Society; they have their IT industry awards. And we're also sponsoring the Young Australian IT Innovator Award. The reason for the sponsorships is to be in the marketplace and communicate our new strategy."

Hills' change of strategy is focused on bringing value to everyone within and outside the company. "At the end of the day, as a listed company—irrespective of what industry you're in or whether you came from a family company or how long you've been there—you've got to get your employees,

your management team, and your board aligned to one critical factor, and that is the creation of shareholder value as the number one objective. Provided you keep your focus on that and build long-term value for shareholders, that is the critical factor.

"All CEOs throughout their careers have made mistakes and learned from them. I think Australians have to respect that, more like they do in the US market. You've got the battle scars from your experience, and now it's applying that experience to make sure you improve each time. I think there are things we won't do because we know it doesn't work, based on our experiences."

One important challenge Ted notes is the speed of change within the business and the wider market. "I was reading that the average tenure for an Australian CEO in a listed company has dropped in the past few years from about five years to three years. The market is

quite unforgiving these days; they expect results within a very short time, so that requires a lot more stress on businesses to achieve the change in a shorter time.

"The pressure is how to make positive change in a way that meets the market's expectations of how fast it is to turn around the business. I was fortunate that this was a company that needed restructuring, but the balance sheet was very strong, which made it a lot easier to restructure. Within 12 months, we paid down all of our debt and managed working capital well, which has given options for capital management and where we can now use our cash to buy other businesses that are more consistent with our new strategy."

Hills has a host of suppliers locally and overseas that provide various

products and solutions. Ted notes the importance of partnering with key suppliers to create a mutual understanding of business goals. The organisation uses technology providers to modernise processes and to reduce costs. "It's not only the people who supply you with products or to whom you sell products; quite often, your strategic partners are those who enable your business processes. Even small organisations that supply critical components for our solutions are very important to us. Some of the guys that help us today with our web development and putting our business online are just as critical to our success as those supplying products to us."

Ted is proud of the company's achievements, particularly as the organisation has vastly improved its financial position and made >

"Mitre 10 and Hills have a proud history and heritage, and acknowledge that innovation is critical to success. Hills have shown their capacity to transform and reinvent themselves in response to changing market trends and consumer expectations." - Mark Laidlaw, CEO, Mitre 10 Australia



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some major acquisitions along the way. “What we’ve achieved in terms of the financial health of the business is reduce our debt and successfully execute the sale of our non-core assets. We’ve also reduced our operating costs significantly, and we’ve introduced a very big cost-reduction program to make the place more efficient, which has seen cost reductions come through.

“The next challenge for us is in growth, which looks at what new market we’re opening up. I think our first step in that direction has been the acquisition in the healthcare sector: one called HTR [Hospital Television Rentals], which is in patient entertainment in hospitals, and another one called Merlon, which is in nurse-call systems. We’re looking at businesses that supply communication services into hospitals and other point-of-care solutions, which is providing patient records at the bedside electronically. That’s an area in healthcare that we’re focusing on because the cost of healthcare and the growth of the ageing population means it is a massive growth market.”



The future is bright for Hills as new strategy represents an opportunity for growth. “I think the future for us is as a much more focused business. We’re not going to be just like another holding company that goes and buys things and then sits on them; we’re about being an integrated solution provider of technology and electronics into these trusted environments.

“We have a very focused strategy, and we see that the strategy is going to be centred around key growth markets. We think those markets are healthcare, which is a

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- Ted Pretty

massive technology growth market, education, and public safety. Those are the types of areas where we think our shareholders are going to get more value. We’re aggressively on the market looking for businesses that meet those criteria.”

Technology has long been an unstoppable force within numerous industry sectors. Hills recognised this trend early and has invested more of its operational focus into this burgeoning market. With Ted at the helm of the business, the company has made it clear that this change in strategy will carry the company for years to come and bring more innovation to a fast-paced industry that is constantly evolving. ●

“Hitachi has partnered with Hills for our digital and interactive presentation solutions range since April 2012. We share a common vision of focusing on delivering top class service complimented with most innovative audio visual solutions to our channel and end customers.”
- Gaurav Sethi, General Manager, Channel Business, Hitachi Australia