

# Thinking outside the MARKET

Rinnai Australia has seen significant growth in recent years as the company utilises homegrown talent to explore emerging markets and develop leading-edge technologies.

Images courtesy of Rinnai Australia

While many experts are sounding the death knell for Australian manufacturing, Rinnai Australia's Managing Director Greg Ellis is reinvesting and reinventing manufacturing in this struggling sector. Implementing an ambitious plan for growth and development, Greg has focused on building on the parent company core technological strengths while exploring new markets and segments within Australia and export from Australia.

Greg recently sat down with *The CEO Magazine* to talk about the emergence and evolution of Rinnai Australia.

***The CEO Magazine:* How has the company shifted under your leadership as managing director? What inspired you to push for Rinnai to start manufacturing in Australia?**

**Greg:** I took the reins in 2006. The company had an exceptionally strong brand position and recall in the Australian and global markets, and I saw the opportunity to further leverage the parent's core technical competencies in Australia.

As an engineer with a background in technology, marketing, and product and business development, I identified the opportunity for

Rinnai to position into the renewable-energy appliance sector and exploit the embedded brilliance in Rinnai Japanese technologies to construct innovative hybrid products and adapt these initially for suitability to the Australian market, but with extended application potential for other geographies.

That was a key part of the vision. But the moat around Australia proved a formidable protection barrier, particularly at a low Australian dollar FX, hence the business case for local manufacture and assembly was constructed and supported by our Japanese board.

It was clear to me that the Australian company could exploit the opportunity to add serious value to its existing technical competencies; but to achieve that, there had to be a fundamental homegrown capability and a hard asset infrastructure located here. In terms of this local manufacture, it was also apparent to me that to build a technical and manufacturing self-reliance in Australia via an agile and profitable manufacturing base, we would then potentially open up export access, at the margin if necessary, to emerging South-East Asian markets already integrated into other Rinnai subsidiary distribution channels.

The success of this endeavour was primarily driven by the agility and flexibility we built into the manufacturing unit operations. This allowed us to diversify manufacturing processes to be independent of singular product lines and one-dimensional product categories. This allowed us to quickly value-add to further differentiate technical attributes already embedded in Rinnai Japan products, and capture material shares in our selected target markets.

That strategy has been fruitful for Rinnai, with product from Adelaide now increasingly finding export access to China, Singapore, Indonesia, Hong Kong, and Myanmar, and, proudly, with products that are designed and manufactured here in Australia.

**Where do you see the Australian manufacturing industry going in coming years, and what role will Rinnai play?**

Adelaide as a manufacturing environment provides a high level of skill and education in its workforce. In 2006, the automotive industry was showing signs of shuddering and shedding people. Mitsubishi had not long closed, and Rinnai was able to absorb solid manufacturing skills as a consequence. Adelaide is also quite a stable work environment. >



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- Greg Ellis

With the decision for Rinnai to be located in Adelaide, the manufacturing operation has grown tenfold since 2006, when we delivered the first production output. I attribute this to some extent to our focus on innovative niche and value-add, and a purposeful agility in factory equipment and design, rather than the traditional manufacturing focus on scale, commodity, and single-mix dimensions.

I think a common misunderstanding in this country regarding the perception of manufacturing is that it's seen as focusing on high capital-intensive, large-scale scenarios, where global scale determines sustainability, especially without a trade-protectionist political doctrine. While Australia is

unlikely in the short term to be competitive against China, Korea, India, and South America in commodity manufacture, I think moderate-scale, boutique, and mixed-segment manufacturing can be profitable here, and can genuinely act as a framework for creative small business innovation that will drive further business investment and spin-off employment opportunity.

I have an optimistic view of where business in Australia can leverage in terms of boutique manufacturing, and this is the territory in which I have attempted to position Rinnai. From my company's point of view, our Japanese corporate has been very supportive of Rinnai Australia to the tune of circa \$3 million to \$5 million a year in development and R&D funding to nurture this homegrown R&D and manufacturing talent status that we have achieved. But such investment confidence from our parent company has not been

altruistic; rather, born of the sustained success we have enjoyed in being fast and adaptive, and the delivery of profitable business outcomes that met our promise to shareholders.

**As the first person to be employed from outside the company for the MD role, how did you integrate yourself into the make-up of the company and influence its culture?**

When I joined, the culture of Rinnai Australia was very strongly and successfully sales-focused. My predecessors had established exceptionally strong brand presence and a solid platform, which I was fortunate enough to inherit.

When I took the reigns at Rinnai as MD, the company employed two qualified engineers and a total of four or five tertiary-qualified people nationally at the time. Today, we are running about 55 to 60 tertiary-qualified people with

more than 30 engineers in the company. I think therein lies a cultural blueprint that has been one of the hallmarks of our success going forward. My focus was on upskilling Rinnai's people capital and building a more competent analytical capability to meet the coming complexities I envisaged in future business channels and markets as we pursued growth.

**You've significantly grown the company from around \$100 million to \$210 million in turnover. Do you think that cultural shift was a major part of that growth?**

Yes, certainly. Early on, I secured external talent that I had worked with in other companies to help deliver a cultural reformation that was about retention of the strong historical sales networks and skills, and a linkage of those with a new market-driven focus. To do that, we created strategic roadmaps and built a stronger platform of skills and attributes, including technical, operational, business agility, and greater market awareness. It was also clear to me that IT enablement and migration to contemporary ERP systems was necessary to achieve this goal, and Rinnai Japan was convinced to provide significant investment support for a \$3-million IT refurbishment plan in 2009-10 to achieve that end. This allowed us to build a new and contemporary market, data, and BI 'savvyness', which has made Rinnai Australia exceedingly more robust and rounded as an organisation, and very much more able to deliver outstanding customer and consumer satisfaction across our broad channels to market.

**How do you work with suppliers and strategic partners to achieve success?**

I've always had a personal philosophy that suppliers are integral to strategic positioning in business, and they need to be engaged and embraced into the business. Those organisations that don't understand this typically become price-pinchers and lose the strategic input that an aligned

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supplier base can provide. I encourage the fostering of a partnership culture with local and foreign suppliers, engaging them as part of our business, and seeking to share the upsides of collaboration. To be a supplier to Rinnai Australia is quite a coveted position in supply channels, and I would be surprised if that sentiment was not echoed by our total supplier network.

**What prompted the partnership between Rinnai and Optus with the 'Business for Machine to Machine' [M2M] technology? What's involved in that?**

That's in its infancy at this stage, yet it follows several successful collaborations between Rinnai and Optus. It's predicated around a shared belief with Optus that appliances, components, and household goods of the future will increasingly utilise embedded intelligence and data interfacing technology. The Optus group runs a very extensive Asian reach, which is supportive of a lot of small businesses, especially in terms of data and application customisation that can add real competitive edge to their client businesses. The Rinnai growth vision was attractive to Optus because it emulated Optus's own business values and directions, and the scale of Rinnai provided for a neat fit to the Optus provision of innovations and services.

**As a leader, what is your vision for Rinnai Australia?**

The company is well positioned in a number of product categories and some new and emerging segments in Australia, all with strong market shares, and our intention is to continue to deliver sustainable growth for shareholders through agile and clever innovation that is very market focused and that supports and delivers value to our growing network of customers.

I believe, with the company's legendary brand strength and product quality, together with Rinnai Australia's own strong



technical innovation and marketing emergence in recent years, we will continue to leverage these attributes into sustainable growth that will continue to attract ongoing support and investment from our parent. One of our emerging growth divisions, in line with this vision, provides for the design and supply of turnkey hot water and heating solutions that incorporate our renewable energy IP from Adelaide manufacturing. This business is rapidly accessing the Asia-Pacific rim commercial sectors as physical exports from Australia. These exports are designed, constructed, supplied, and commissioned by Rinnai Australia. The term 'Made in Australia' is alive and well and a reality in our company.

I know that Rinnai Australia has become a centre of excellence for many of the emerging markets and growth sectors in South-East Asia that are, fortunately for us, affiliated with other Rinnai subsidiaries.

Rinnai Australia will become a half-billion-dollar company in coming years by continuing to shape and exploit its agility and competencies, and by continuing to build on the successful directions pursued to date. •

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