



Forté
MANAGEMENT

business & economic
development advisors

A service of
Forte Business Group Ltd
73b Maxwell Road
Blenheim 7201
Marlborough
New Zealand

+64 274 967 821
Skype: tonysmale

tony@forte-management.co.nz
helen@forte-management.co.nz
www.forte-management.co.nz

Incite 2010 Presentation Notes by Tony Smale



Tony responds to questions at Incite 2010
Photo credit: Canterbury Employers Chamber of Commerce

Click on the link below for audio files from Incite 2010

<http://www.incite.org.nz/Speakers/Notes-And-Podcasts.asp>



New Zealand can appear to be so innovative – which theoretically should make us productive, profitable and prosperous - yet we produce only mediocre economic performance? Why it seems, we have to work longer and longer hours just to stand still. After many years in business, management, economic development and consulting – curiosity got the better of me. My mother always used to tell me that “*curiosity killed the cat*” – but in this case I think that my curiosity has revealed something of great importance to

Kiwi firms.

A lot has been written about this subject - and while of course there is no simple answer – it always seemed to me that something was missing – and so began my quest to find that missing piece of the puzzle. Over the next 25 minutes I want to share some insight into what we found when we reviewed the existing publications, undertook our own research and then joined up the dots based on ours and our colleagues practical experience here and overseas. Then I will introduce four strategies designed to help you play to Kiwi strengths and compensate for some of our weakness – strategies designed to help create and harvest more value without the need to work more hours and invest more capital.



We are going to look at how our Kiwi mindset or culture makes us much better at one part of the innovation and management process than another.



Let's begin by taking a quick look at our performance over the last few decades.




In the early part of the 20th century our businesses created more wealth per head of population than those of any other country. Since then, and especially since 1970 it's been increasingly hard work to make ends meet.

Some questions to ponder:

Questions

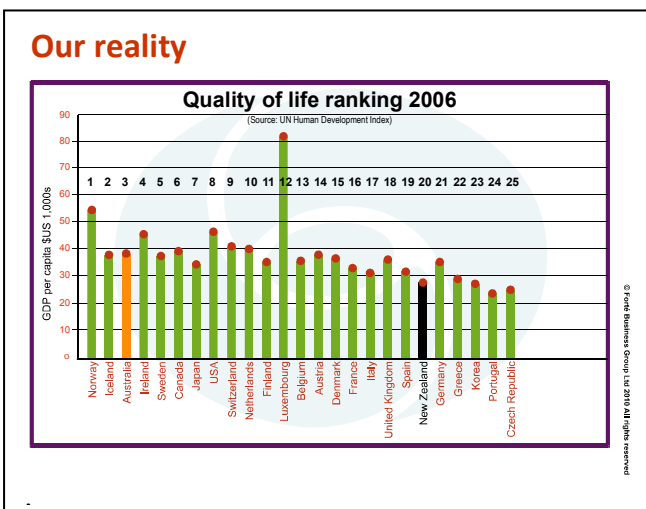
- Are we hard workers?
- Do we work long hours?
- Are we really good at innovation?



Yes we are hard workers – and yes we do put in the hours – more than almost any other developed nation – and increasingly we've come to think of that as inevitable!

But are we really good at innovation? All of the Anglo-Saxon countries believe they are the most innovative – and I read recently that Denmark has the same belief. But who really knows because innovation is incredibly difficult to define let alone measure. What

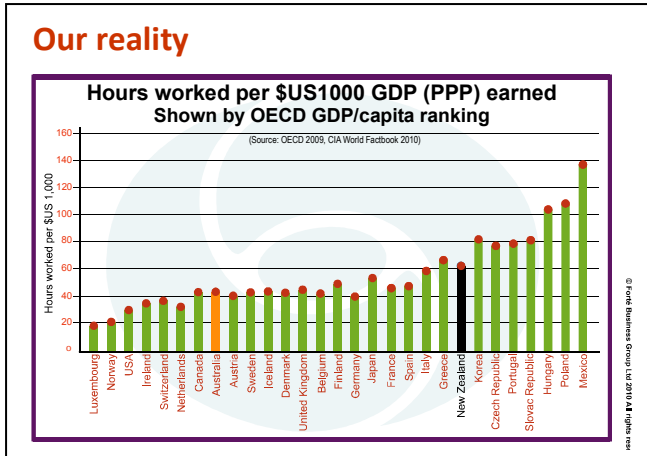
we do know is that invention is not the same as innovation, and that being good at invention doesn't automatically convert into creating and harvesting value.



Quality of life is at the heart of being Kiwi but according to the UN we don't rank all that well, including relative to our cousins across the Tasman.

Explain – the bars represent the GDP per capita for OECD nations arranged in order of quality of life ranking. Note that there is a definite trend between economic performance and quality of life.

Our reality



The problem that we face is that we are having to work longer and longer hours just to stand still. In Australia, that ranks 8th in the OECD - it takes roughly 43 hours of work to create \$US1000 of GDP. In New Zealand – that ranks 22nd - it takes 62 hours.

There's no future in that scenario. It's unsustainable. We have to find ways to create and harvest more value and that's where we are headed in this discussion – because I see no point if we cannot afford

the basics of health care, education and retirement and if we haven't the time to enjoy living in New Zealand because we are having to work longer and longer hours.

Innovation and business sophistication

20th of 31
(NZ Institute Report Card September 2010)

Now that's New Zealand as a whole but how do our businesses rank. According to the NZ Institute score card we rank 20th out of 31 – so not great.

Now these are messages that most of us don't really want to hear – but they are very important because what's required to improve is within everyone's reach. It's not simple but it is attainable.

Why is our productivity poor, our profit mediocre and our nation's prosperity very "ordinary"?

Einstein once famously noted that the definition of insanity is doing the same thing over and over and expecting a different result. Yet we've been trying variations on a theme for decades now and our relative economic performance has been going backwards.

The message is – we need to be trying something new – and since thinking differently, looking at the problem from a different angle doesn't cost a lot it's a very good place to start.



Sorting out what's really going on is difficult because we cling to a number of beliefs – beliefs that have become central to how we view ourselves as Kiwis and that are part of our mental models. For example there's the idea that our lifestyle is way too cool to be worried about our economic performance. There's the "ordinary Kiwi" belief – we're all really the same. We fail to recognise just how special our top performers are and what huge impacts they have on business

performance. That they either intuitively think differently or have developed specific mental models that are different to most. If you want a high profile example of a top performer and the impact on an organisation – think Rob Fyffe and Air New Zealand. [Think about this – from a recent MED report. If you shift a managers performance from the bottom quarter to the top quarter it is equivalent to increasing your labour input by 41% or your capital by 77%!!]

Perhaps the most damaging is our #8 gauge wire, DIY, self reliance belief. That was a defining advantage for a pioneering nation but it is a misfit with a modern knowledge based economy. It's not BAD – but it is much better suited to doing new stuff on a small scale than to growing our businesses and extracting the maximum value from our efforts.

Then our "analysis" and "reasons"

We're a long way from market, we're small, we're a primary producer, Australia has minerals, we've under invested in infrastructure ...
blah, blah, blah!




We need to look beyond the things that we are familiar with too – like distance from market, our small size, scarcity of capital etc. Because when you dig, none of those things provides a complete and compelling answer to the puzzle.

We are missing something important.

But the missing piece of the puzzle is "How we think" –

and that is determined by our national culture or "Kiwi mindset"



That's the end of the bad news because there are lots of things that we are really good at and if we play to our strengths and recognise the things that we are weak at, then we can build much more profitable management models and businesses without having to work even longer hours nor invest additional capital.

The missing piece of the puzzle

National Culture is a socially learned set of mental models & “rules of thumb” that groups of people use to interpret & respond to the world around them, to solve their collective problems & reconcile their dilemmas...

It means that people from different cultures, even those as “objective” as scientists, may interpret and react differently to the same information.



2 slides

Read

National culture

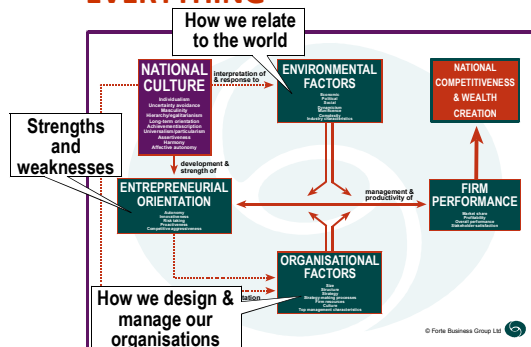
National culture is responsible for our collective psyche, our Kiwi mindset, our “Software of the mind”

It influences everything including how we manage our businesses and turn inventiveness into profit



Elaborate

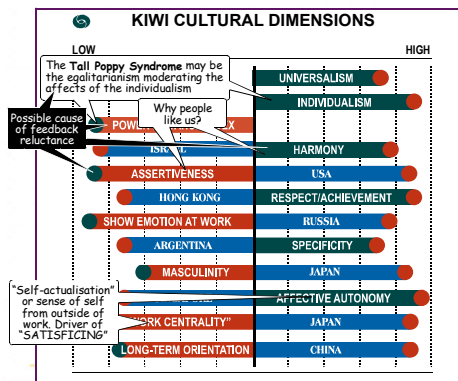
How national culture influences EVERYTHING



Elaborate.

Organisational factors – for example – in a recent study we are shown to be amongst the worst at managing people and at addressing poor performance. We are almost as reluctant to recognise and reward good performance.

We can MEASURE national culture



Madeline McCann

Flight 801.

We can measure national culture as “dimensions”. I’m only going to discuss five of these but I hope from those you will see how people from different nations might think and behave differently because of their different and distinct mental models. If this interests you and you want to know more you’ll find a number of papers in the resources section of our website at www.forte-management.co.nz:

Individualism versus communitarianism

Power distance – the extent to which inequality is accepted. The opposite of egalitarianism.

Harmony seeking.

Assertiveness.

[Affective autonomy (seeking individual discovery and adventure – in some samples we are the most extreme.)]

A tell tale statistic

New Zealand ranks:

2nd out of 36 for early stage entrepreneurial activity.

26th out of 36 for high growth businesses.

GEM study (2005)

Read

Why this is so important for New Zealand

Kiwi culture correlates strongly with the early part of the innovation process but weakly with the implementation part where value is created and harvested



Why is this so important for New Zealand?

In general terms it means that we are very high on taking the initiative. We don't wait for someone in authority to organise us and give us instructions – we just “get on with it”. You saw a great example of that in the response to your earthquake. That behaviour is associated with creating things, with solving problems, but it's not associated with creating and harvesting maximum value.

More specifically, there is a statistically significant correlation between these cultural dimensions and the early part of the innovation process where things are invented and the latter part where value is created and harvested. Kiwi culture is possibly uniquely aligned with the early invention stage.

That means that we do the hard yards – we get started – we turn out new ideas, invent new things - in many ways we do the smart part - then we let a surprising amount of value slip through our fingers.

We cannot change our small size or distance from market. We can adopt strategies to capitalise on our strengths in initiation and compensate for our weaknesses in creating and harvesting value.



As the Flight 801 story shows – we are not slaves to our culture. We can manage our intuitive behaviour by implementing management strategies designed specifically for our culture. Most that we apply now are designed for other peoples' cultures.



"PLAYING TO OUR STRENGTHS"

4 strategies we can start thinking about tomorrow

These four strategies focus on how we think, and how by adjusting that thinking we can create and harvest value that we currently let slip through our fingers.



The research shows that we tend to “think for our customers”. We interpret what they want, what they value and how much they value from our perspective, not theirs. We assume that what we take for granted is what our customers take for granted. There can be profound differences. This sounds like marketing 101 but implicit in marketing theory is understanding the customers perspective. When we do, we will find that we can customise our offerings better, create value where none appears to exist at the moment. When we conduct business in a way that matches the

customers’ expectations instead of our usual short term transactional approach we will create extra value. It’s not that we always get it wrong, some customers want to do business the same way that we do. The key is in knowing the difference and reacting accordingly – because that will deliver us extra value – usually at no extra cost. The most obvious practical thing that we can do is employ locals in market or immigrants in our businesses to act as interpreters – to transform market information into knowledge.



The tall poppy syndrome is an absolute killer. It exists in other places too but we Kiwis seem to be more susceptible to it. It contributes to our self deprecation, our underselling and our negative language. When I ask “How are you?” a likely response is “OK” or “Not Bad”

When someone says “That’s great” we often reply “Oh – not really” or “It’s nothing”.

In many markets they believe us. In others they are just confused.

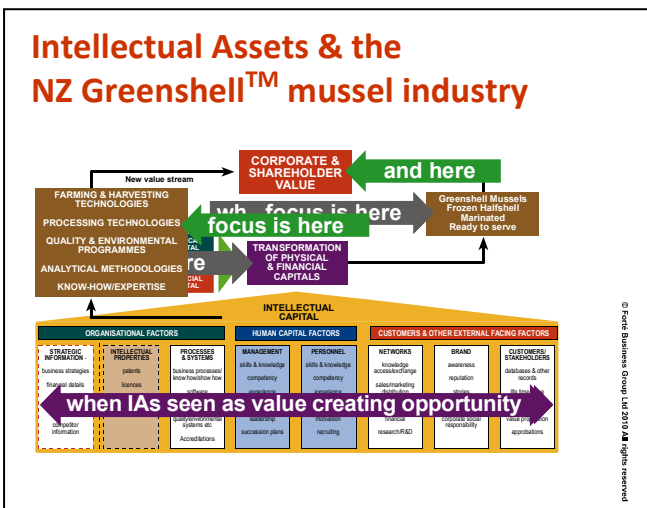
It seems unlikely that we can eliminate or easily reduce the TPS but there are things that we can do to build confidence and create a culture within our firms that immunises ourselves and our staff against the negative affects. The result is – we will improve staff performance and the quality of engagement with our customers. This is no trivial undertaking but we believe that it has great potential. Changing national culture is almost impossible but we can change organisational culture and this is what we are proposing here – deliberately creating a culture that fosters positivity and performance, that creates the confidence to address poor performance and the willingness to recognise, develop and reward our top performers. The confidence to engage with our customers on their terms without feeling that belittles us.



Company know-how, trade secrets, and other valuable intangible assets, collectively known as intellectual assets may, according to Standard and Poors and Intellectual Assets Magazine, make up as much as 80% of a company's value. Value that never appears on balance sheets, rarely in management plans and hardly ever in the bank account.

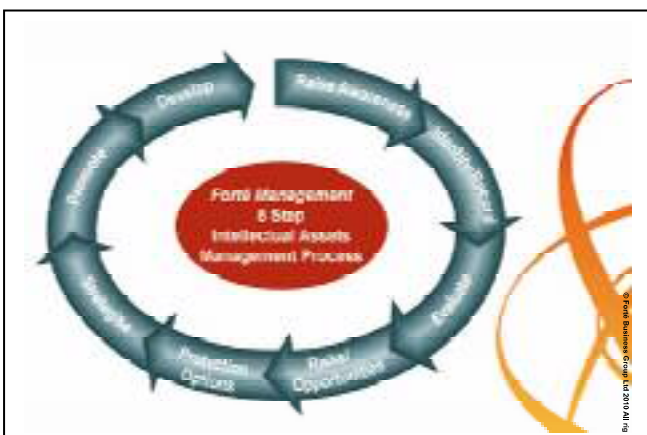
Businesses and industries that fully exploit their intellectual assets create greater returns and value for their shareholders. Intellectual

assets are represented not just in legal patents and trademarks but also in the business's personnel, their collective knowledge, know-how and accumulated experience, customer databases and relationships, trade-secrets and many other elements that are often not even recognised let alone recorded, protected and managed.



An example of what this might look like. We are all familiar with our fantastic greenshell mussels. But we are probably less acquainted with the vast portfolio of world class intellectual assets that underpin the production, processing and quality assurance. Intellectual assets that we currently give away when they could be turned into value.

Go through slides



This is Forté Management's 8 step approach to managing intellectual assets.

For many firms and sectors this may be the most valuable strategy they can adopt this year.



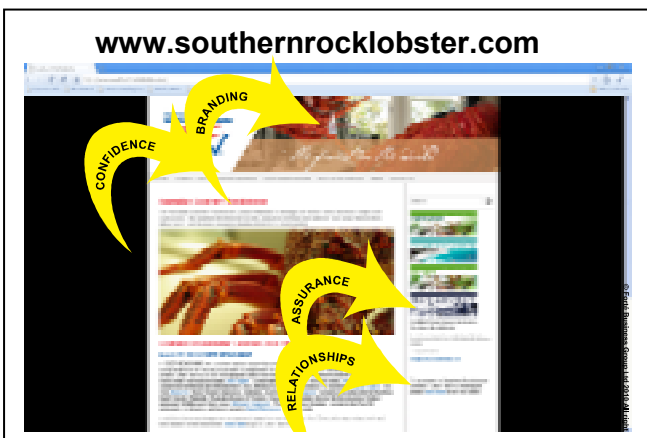
Finally, we need to own or manage much more of our distribution channels. Many of our products and services find their way to the end user via long and complex channels. Channels that frequently play Kiwi firms and sectors off one against the other. Those channels often create and harvest more value than the kiwi producers. But perhaps more significantly, they create communication barriers between our firms and the people that actually use the products, compounding our habit of thinking for our customers and our reluctance to listen

to and respond to customer feedback.



A tangible example of what can happen when we don't manage distribution closely enough.

Explain



An example of putting it all together – from harvest to customer and every step between – **and telling the world about it.**

Not just about cutting out the proverbial middle man. It is about bold promises, reassurances, building direct relationships with the people who buy the product – and getting one step closer to the people who consume the product.

When we understand ourselves better, how we think and behave and engage with our customers, and how they think and want to engage - we will be in a much better position to adopt innovation and management practises that help us to create and harvest maximum value without the need to work even longer and harder. Then and only then will we, our children and our grandchildren be able to enjoy New Zealand's fabled life style and have a world class quality of life.

CLICK to discussion slide