



**Presentation to
Metals New Zealand Conference
Amora Hotel, Wellington, 14
April 2011**

Making money from your business's hidden opportunities

One big and two small strategies to “take away”





Revealing hidden opportunities

What this is all about

Why Kiwis can be so inventive, adopt the latest technologies, work long and hard yet still have to work so much longer than people in many other countries (including Australia) to earn the same amount.

Goal: To introduce ideas that will help you think differently about how you manage your business and how you convert Kiwi inventiveness into revenue and profit





Revealing hidden opportunities



Insanity: Doing the same thing over and over
and expecting a different result

You cannot solve a problem with the
same thinking that

**We have to do something
different!**

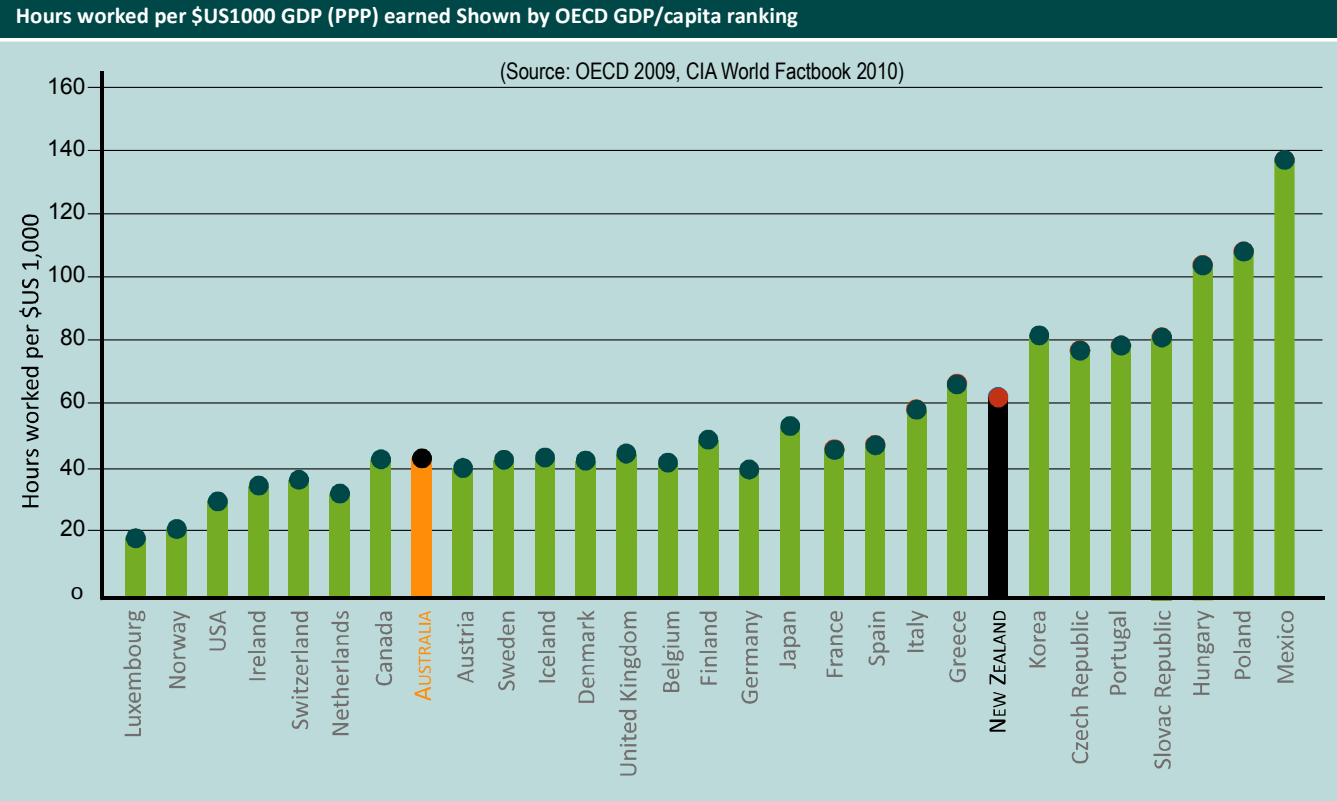




Revealing hidden opportunities



In case you need convincing



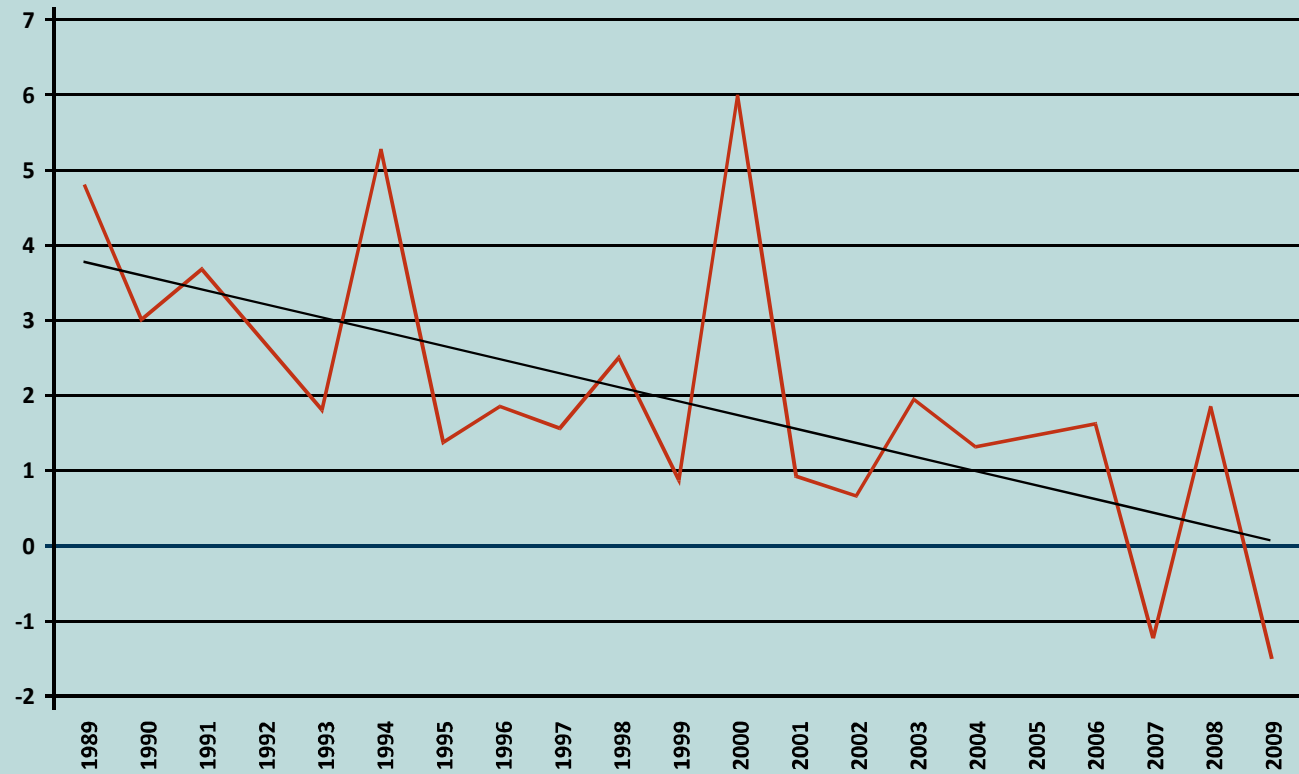


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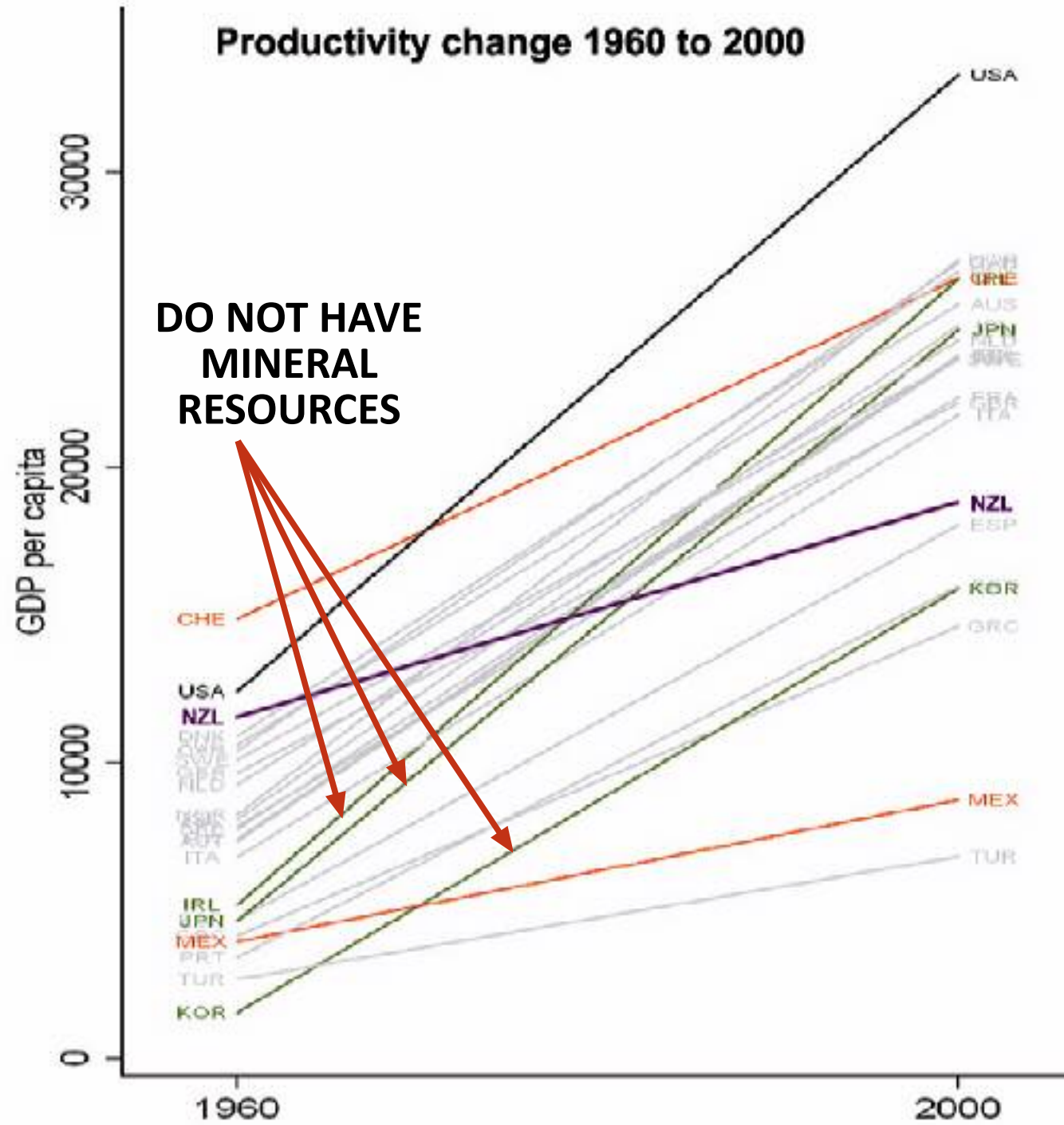
Annual percentage change in New Zealand's labour productivity 1989 - 2009



Reference: Statistics NZ



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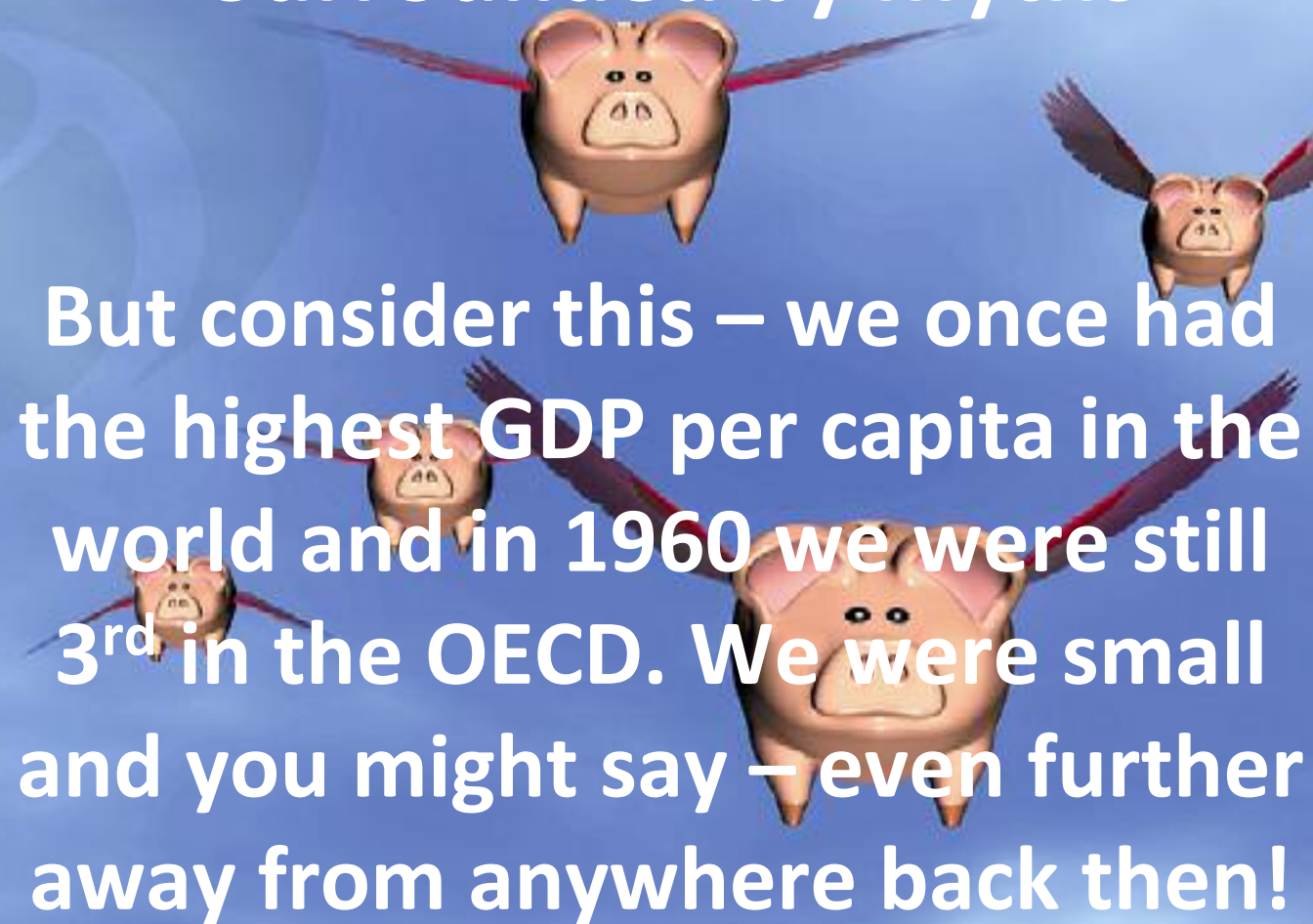
Some of the puzzle ...

Common reasons offered

We're small, a long way from the rest of the world, capital is hard to come by, we don't have minerals like Australia does, etc, etc, etc.



Surrounded by myths



But consider this – we once had the highest GDP per capita in the world and in 1960 we were still 3rd in the OECD. We were small and you might say – even further away from anywhere back then!

And as for minerals - our second largest export item is oil!





More of the puzzle ...

All of those things are important – but they don't provide a complete explanation for our mediocre productivity, profitability and prosperity.

And we can't do much about most of them anyway. So we have to design strategies that extract the absolute most out of what we are really good at and mitigate our weaknesses.



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Our real strengths and weaknesses can often be something of a surprise!



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What are we missing?

As Kiwis we think in our own special way. That makes us amongst the most inventive people in the world - and great problem solvers as well.

We love doing new things, making new discoveries and having new adventures.

We're resourceful and we work long and hard.



What are we missing?

But we also lack assertiveness and don't like to give or receive feedback.

We tend to think everyone is (or should be) like us, we are intensely self reliant and like to DIY (everything).

We build our businesses on narrow ownership and capital structures and despite what we think, we often create situations that make us risk averse.

We tend to move to the next new thing before we extract optimum value from the current activity or project.
“Outsiders” can think that we have “she’ll be right” and “take-it-or-leave-it” attitudes.

Paradoxically - we often think and behave in ways that negate our strengths and exaggerate our weaknesses.

More of the puzzle ...

So, first that means that we have to understand what we are really good at and what our real weaknesses are.

We've come to believe our own spin - our #8 gauge wire cleverness and sheer hard work is enough to deliver us productivity, profitability and prosperity.

It ISN'T - because inventions and hard work and practicality and DIY don't automatically convert into positive commercial outcomes.

We don't enjoy, don't like doing many of the things that are necessary to convert our inventiveness, resourcefulness and hard work into the commercial outcomes we want (and need).

In other words we are clever and do the hard work but leave a lot of the value for others to harvest.





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The 3 ways we make more profit

- 1. Sell more = up our sales effort – productivity stays the same.**
- 2. Increase efficiency = process and performance development – productivity increases.**
- 3. Increase the value of what we make or the service we provide – productivity increases.**



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How we make more profit

In New Zealand we focus

+++++

Efficiency

+++

Selling more

+

Creating new/more value

Today we are going to focus:

+

Becoming more efficient

+++++

Creating more value



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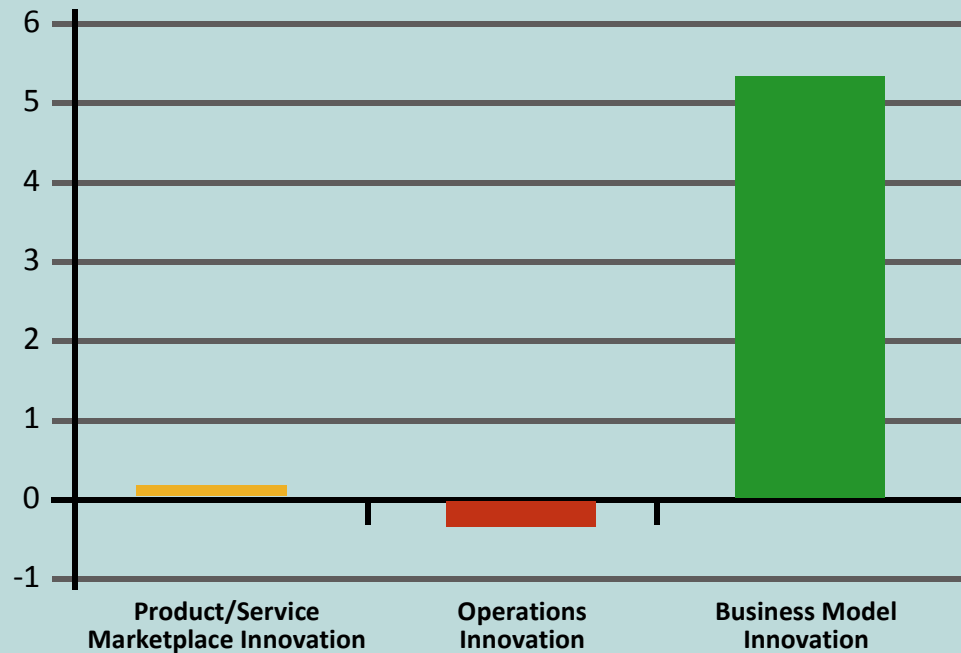


Here's why

Margin growth in electronics manufacturing

Operating margin by innovation emphasis

Operating margin growth in excess of competitive peers
(Compound annual growth rate over five years)



Ref: *Expanding the Innovation Horizon: The Global CEO Study 2006*. IBM Global Business Services, March 2006.



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Two small strategies and one big one to create more profit

Based on our 20 years experience and four years of research into where the best opportunities for Kiwi businesses are.

Focuses on what we can rather than can't control.



Two small strategies and one big one to create more profit

1. We can create more profit by **managing people performance better.**
2. We can create more profit by **understanding customers' needs including quality and attention to detail from their perspective.**
3. We can create more profit by **recognising the value in the things we invent, the way we solve problems, and by discovering the value in the things we can't touch or see – our intellectual assets.**



1. Managing people performance... The diagnosis

- We DIY people management.
- We do not enjoy being managed and we do not like managing other people.
- Our egalitarianism and the Tall Poppy Syndrome (especially feedback reluctance) get in the road of us being good people performance managers.

1. Managing people performance...

One of the consequences

Six in 10 hate their jobs – survey

Six in 10 Kiwis hate their jobs or can't really be bothered with them – and it's a trend that is beginning to affect even our business leaders.

The survey by Leadership Management Australasia (LMA) shows the percentages are similar on both sides of the Tasman.

The downside was that all this ambivalence was hampering productivity both in New Zealand and in Australia, LMA managing director Grant Sexton said.

It's concerning that one in six Kiwis and Aussies hate their jobs but say they still have to earn a living, he said.

That includes 15 per cent of middle and frontline managers and 16 per cent of other employees. But more worrying is that almost one in five is a business leader or senior manager.

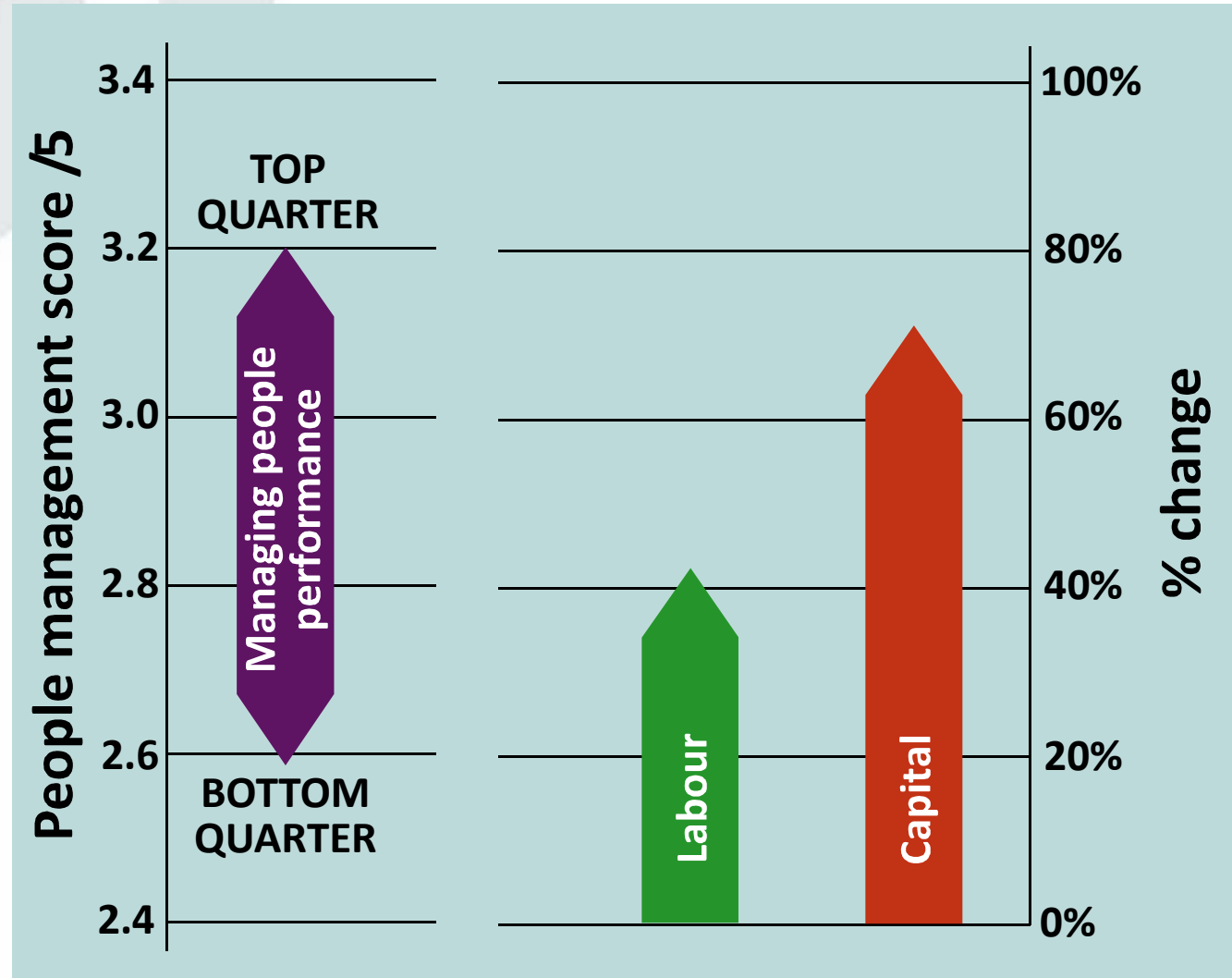
Some of the factors cited for job dissatisfaction included lack of work-life balance, difficulties with finding and retaining good staff and high staff turnover.





1. Managing people performance...

Management Matters (MED): 16th of 16 nations studied



1. Managing people performance... Three things you can do

1. **Apply performance management systems – linked to the business strategy. Set clear expectations, measure performance, provide feedback and support continuous improvement.**
2. **Become more competent at managing people – include in management/supervisor training and development. Take professional advice! For many firms the NZTE Voucher Scheme will cover half the cost to get started.**
3. **Become more confident with managing people – include assertiveness, negotiating and communication training in staff development strategies. Toast Masters/ITC and NZIM are excellent options.**





2. Thinking for our customers ... The diagnosis

- We have a remarkable tendency to think that what we want, like and value is what our customers will want, like and value.
- We take for granted what we are really good at & over-rate ourselves in other areas.
- We consider the customer's needs (including quality) from a technical rather than customer perspective.

2. Thinking for our customers ... One of the consequences

Together these mean that:

“Kiwi firms inadvertently let a surprising amount of value slip through their fingers.”

Gareth Chaplin – Chief Economist NZTE





2. Thinking for our customers ... Four things we can do

1. Practise quality management from a customer perspective. Technical quality may be no more than table stakes!
2. Practise thinking like your customer. Understand what they really want – what their motivations are – how you can solve their problems.
3. Where appropriate implement “Design” programmes. (eg www.designindustry.co.nz or www.betterbydesign.org.nz)
4. Respond to tenders etc EXACTLY according to what the customer asks for. Understand what might make a difference. Build relationships. Know and play to your strengths. Ask questions. Keep asking until you really understand what is wanted!



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2. Thinking for our customers ... Two stories

The case of Amanda – unique positioning built on understanding customers' needs.

The case of *DPR construction (USA)* – unique positioning built on understanding customers' needs.

91% of work is repeat business.

www.dpr.com



3. Intellectual assets – what are they?

Intellectual assets drive business productivity, competitiveness and profitability.

They include all the business's ideas and plans, customer databases and relationships, knowledge and expertise, production processes and quality systems, designs and design capability, brands and reputation, inventions, and know-how as well as registered IP like patents and trademarks.



3. Managing & developing intellectual assets...

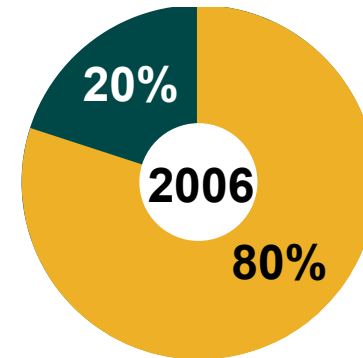
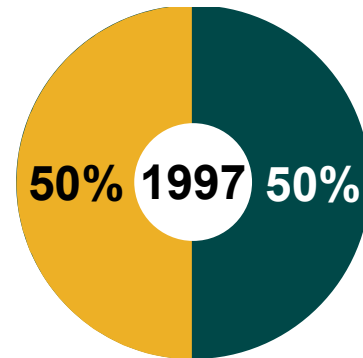
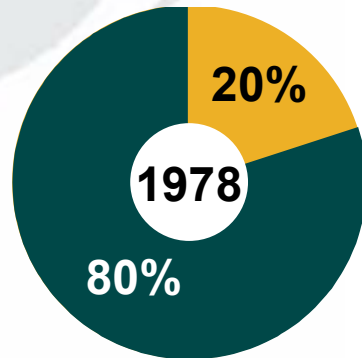
The diagnosis

- **Kiwi firms are distinguished by not managing and developing intellectual assets.**
- **We often embed high value intellectual assets in the comparatively low value products and services that we sell.**
- **We struggle to recognise and extract the value from things we can't touch and see.**



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“A funny thing happened on the way to the 21st Century”[©]



● Tangible Assets ● Intangible Assets



Reference: Standard and Poor's 500 stock index and IAM Magazine, March 2006.



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Our goal ...

To manage and/or develop intellectual assets to improve performance and create new revenue and profitability pathways.

Which particular assets are most important varies between sectors

F&B

Brands

Finance

Customer relationships

High Tech

R&D capability

Media

Creative individuals

Software

Creative teams

Engineering

Accumulated insight & understanding that is transferable from project to project = expertise & experience





Defining an “Asset”

"An asset is a resource controlled by the enterprise as a result of past events and from which future economic benefits are expected to flow to the enterprise."

The International Accounting Standards Board

Intellectual assets are no different!



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Most intellectual assets don't appear on your balance sheet, rarely in business plans and hardly ever in your bank account.





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Reasons to manage your intellectual assets

Highlights the KEY commercial strengths of the business, ie your key competitive advantage/s over your competitors.

- Helps you to identify what and who are the key drivers of your business's success (or failure).
- Helps to align with customer wants.
- Informs business strategy including investment decisions.
- Drives innovation & productivity.
- Underpins your risk management.

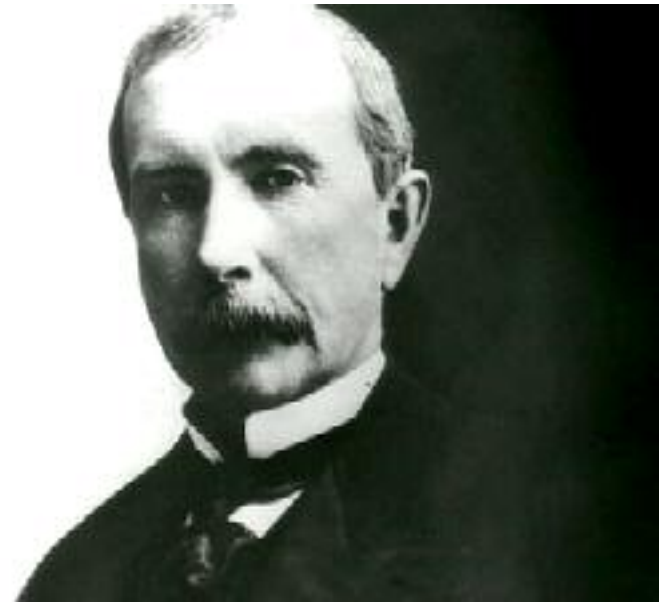
**Do you know what yours are...
or do you price and hope?**

Reasons to manage your intellectual assets

- Deters the competition.
- Identifies opportunities to leverage prestigious customers, accreditations, CSR, key staff, experience, etc.
- May identify tradable assets.
- Reveals business's true value.
- Helps in finance raising & selling.

"There is only one thing more important than doing the right thing and that's telling people about it."

John D Rockefeller 1839 - 1937



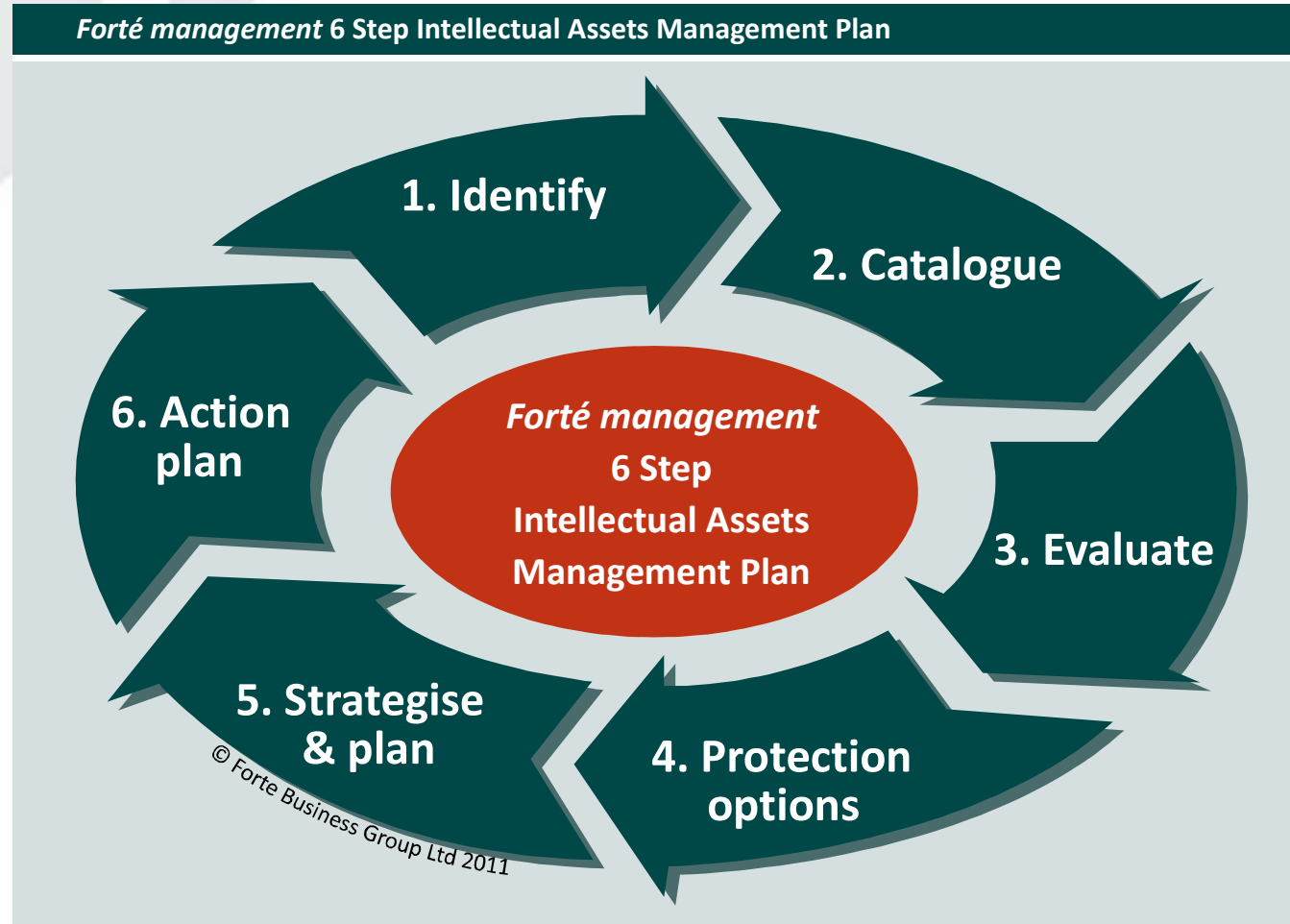


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The 6 step IAM process

The longest journey begins with the first step.



1. Identify

- Why some assets are hidden and we have difficulty finding them.
- Application of a structured, facilitated process to identify the full range of intangibles.

Why a facilitated assessment?

- Familiarity
- GIAB findings
- Expertise and experience

The parallel with the OSH hazard identification process.

The case of the printing company





2. Cataloguing

There are *Intellectual Assets* everywhere

- Intellectual Property based.
- Customer & Supplier based.
- Contracts based.
- External Facing Factors based.
- Business Organisation based.
- Product based.
- Workforce based (Human Capital).
- Other 'Stuff'.



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An exercise in identifying intellectual assets





RESEACH & DEVELOPMENT
AUTHORISED
PERSONNEL
ONLY



CONTRACTS

FINANCE

STAFF





2. Cataloguing

Intellectual Property Based

- Software Licences
- R&D
- Patents, Trademarks, copyright
- Unique production systems, processes
- QA Systems
- Production manuals

2. Cataloguing

Customer & Supplier Based

- Customer database
- Supplier database
- Customer & supplier relationships
- Customer service excellence award



2. Cataloguing

Contracts Based

- **Contracts**
- **Financial records**
- **Non-disclosure agreements**
- **Licensing agreement (in/out)**
- **Distribution agreements**





2. Cataloguing

External Facing Factors Based

- Recycling
- Trophy & Excellence awards
- Logo/Brand and Reputation
- Promo Folder
- Promotional DVDs
- Staff
- Visitors

2. Cataloguing

Business Organisation Based

- Designs and plans – hardcopy & digital
- Computer records
- Systems & processes
- Manuals
- Financial management system



2. Cataloguing

Product Based

- Designs
- R&D
- Packaging and distribution (much more than cardboard boxes!)





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2. Cataloguing

Workforce Based

- Personnel
- Experience
- Qualifications
- Memberships & Accreditations





2. Cataloguing

Intellectual Assets “@ risk”

- Paper & digital records – photocopier, notebook computer, wireless network, DVDs
- Designs & plans
- Rubbish and recycling
- Manuals
- Exposed R&D
- Logo/Brand
- Visitors (OSH, trade secrets, image etc)



3. Evaluate

Criticality and vulnerability

- **Non-financial value - core and non-core**
- **Financial value - the market value test**



Happiness is the return of a stolen computer, with data intact

By BECK ELEVEN - The Press



DATA DELIGHT: Detective Constable Matt Reynolds, left, is delighted to reunite PhD student Claudio de Sassi with his stolen computer yesterday

Never has a man been so happy to see a computer full of data spreadsheets.

Claudio De Sassi's world fell apart when a car containing almost three years work towards his PhD was stolen two weeks ago.

De Sassi, a Canterbury University academic, could not hide his joy yesterday as police reunited him with his stolen laptop and backpack.

However, the laptop had been "decorated" by the thieves with a sticker depicting a skull in a military helmet, and in the backpack he uncovered a bike pump and bike light that did not belong to him.

"It's fantastic," he said.

"It looks like I wanted – plus some presents."

De Sassi had been in The Bicycle Thief restaurant with a visiting American academic when they emerged to find De Sassi's Nissan car missing and replaced with another stolen Nissan.

"For the first five seconds we couldn't believe it, then the shock fades off and we realised the car was really gone," De Sassi said.

"I slowly realised the coincidence of having everything in the bag.

"It was not a happy night."

The thesis was his research on the impact of climate change on subalpine tussock grasslands.

The theft forced him to consider returning to his native Switzerland with nothing to show for almost three years work.



4. Protection options

- Variation from country to country.
- International treaties (PCT).
- Registered and unregistered. ®, ™, ©, patents, design rights, registered design, PVR, trade secrets, etc
- Why patent? An alternative perspective.

4. Protection options

- Recording & securing passwords, supplier lists, customer records & relationships (with individual or with the company?), etc.
- Controlling access & release.
- Constraints of trade, confidentiality agreements (NDA) etc.

The case of:

The unhappy accounts manager.

A disaster that a non-competition clause might have averted.

The essential forestry production manuals.



5. Strategise and plan

- Integrate management of intellectual assets into every aspect of the business strategy and plan to drive the productivity and profitability of every product, service, process, etc.





5. Strategise and plan





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Manage the intellectual assets

- Drive the productivity of existing processes, products and services.
- Reveal product & market development opportunities.
- Manage risks.
- Identify gaps between what you have and what you need.



Develop the intellectual assets

- Develop the intellectual assets into products and services.

The cases of Roger, Grant and Tony

The company with 8 patents and no development plan.

- Develop product & market development options – licensing, joint ventures, spin-out companies etc.





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6. Action plan



Go make it happen





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