

Forté Enterprise Digest

Complimentary news and information

July 2011

Welcome to this latest edition of *Forté Enterprise Digest* in which we follow up on a previous story about customer experience, discuss the implications of poor productivity, explore the differences between large and small enterprises, touch on why being a good manager means you may end up “under the radar”, consider what jobs are really about and present three strategies we have determined offer the best opportunity to optimise performance without investing large amounts of new capital or working even longer and harder.

Please forward to anyone you think may find the *Digest* of interest or introduce us and we’ll send a copy direct.

The continuing story of the shop that didn’t want to sell

In the last edition of the *Digest* we told the story of a shop that just didn’t seem to want to sell what its customers wanted.

The “Bad”: Helen visits a national clothing chain store looking for a favourite top. It’s July. “We get heaps of people asking for those.” says the assistant. “Can I see them please?” enquires Helen. “We don’t sell many at this time of the year.” is the reply. “OK – can I see them anyway?” “No sorry – they’re packed away until next summer.” responds the assistant. Lot’s of people ask for them but they don’t sell many. Actually they don’t sell any – because they are **PACKED AWAY UNTIL SUMMER!** What is it about exposing their products to the risk of selling they are afraid of? What is it about those “heaps of people” enquiring that they don’t get?

No surprise then that 12 months after the “bad” customer experience we can now report – the store has CLOSED!

What it means in practical terms to have poor productivity

Despite working very hard and longer hours than almost every other nation, in New Zealand even though we might produce more volume, we produce less value than most of our peers for each hour that we work. At the beginning of the 20th century New Zealand ranked number one in the world for GDP per capita. By 1950 we were still number three. By 1955 though we had slipped to number 8 and now we are somewhere in the fifties. (In 1960 NZ was number 3 in the OECD, just behind Switzerland and the USA.) When we talk about this most people say to us – “It’s not really that bad – it’s just that others have been doing better than us – it’s not like we are really going backwards.” It’s true that since 1960 all the OECD nations have improved productivity. It’s also true that only Turkey and Mexico have performed worse than New Zealand (just). But that is only part of the story, because each year now for decades, New Zealand’s rate of productivity improvement has been getting less and less and by 2008 it entered negative territory. See the statistics in all their glory at http://www.forte-management.co.nz/resources/73-NZ_Productivity_Performance.pdf.

So what does poor productivity mean? In simple terms it means that for each dollar we invest and for each hour we work we create less value than the firms and countries we compare ourselves with. Put the other way around, to create the same amount of value, we have to invest more capital and more time. That’s why to create a \$US1000 GDP it takes around 40 hours in Australia and 60 hours in New Zealand (And it’s got almost nothing to do with Australia’s minerals industry!)

Here at *Forté Management* we don’t think that’s good enough and that it’s way past time we did something about it. Clearly working harder and longer isn’t the answer and there’s not

	<p>much we can do about being small and a long way from our markets. Instead we have to find some new solutions and that's exactly what we have dedicated our time and effort over the last five years to figuring out. See "3 mission critical strategies to optimise performance" article below for some practical strategies every business can apply – without working longer and without spending a fortune to get started.</p>
<p>Big Hairy Audacious Goals</p>	<p>We have to admit that we've never been too keen on the acronym BHAG but the idea behind it - stretch goals – reaching for the stars – is certainly a compelling one. How BIG and HAIRY then is Volvo's goal of building cars in which no one, anywhere in the world will be killed or suffer serious injury. Now that is stretch – and totally aligned with their product positioning around safety.</p>
<p>When it comes to managing organisations – size is really important</p>	<p>Small organisations are just big ones that haven't grown up yet – right? WRONG! There are many fundamental differences that are rarely recognised and even more rarely taken into account when management strategies are developed, staff recruited and developed, and remuneration calculated. When your experience is limited to larger organisations nothing prepares you for this new reality. Having worked as a Department Head and then Branch Manager I had a major shock when I took on my first CEO role in a small organisation. Here are just some of the differences:</p> <ul style="list-style-type: none"> • Managers in smaller enterprises have to have a much broader range of skills than their functional specialist cousins in large organisations. Managers of small organisations have to do very similar analysis and planning/budgeting, communicating, reporting and people performance management and take very similar decisions as managers in much larger organisations. On any one day though they might have to be HR, finance, marketing, communications, manufacturing and technical or R&D manager, negotiate and sign contracts, deal with the media, the IRD and the OSH people. The difference is, they have to do all those things themselves without the immediate access to, support of and reliance on the functional specialists like HR and Finance that their big organisation cousins can take for granted. <p>We recall some research from years ago – although we can't cite the references – that showed that after each interruption it takes on average 12 minutes for a manager to "get back up to speed" on their previous task. The average manager was interrupted once every 10 minutes. That is quite simply the life of the small business manager. A critical and very special skill then is being able to change from one task to another and cope with constant interruption.</p> <ul style="list-style-type: none"> • Often there is no one to delegate to, no one to "run an idea by", sometimes not even someone to proof a document for you. There's an old adage that a good manager should be able to go away and everything just rolls on. Truth is – in small-medium enterprises that's just not possible. When you take leave or go to a conference – your work just backs up and is waiting for you when you get back. • Large organisations, according to <i>Management Matters in New Zealand</i> (http://www.forte-management.co.nz/resources/46-Management Matters in New Zealand.pdf) are better people performance managers than are our small enterprises – although neither are world class. That has a huge impact on productivity according to the authors and we could address both labour and capital productivity by improving our talent management from the way we select people in the first place to how high performers are recognised and rewarded. And there is no reason why high performing managers in small enterprises should be rewarded poorly, as often appears to be the case, simply because of the size of their enterprise.

	<p>And it doesn't end there either because small enterprise CEOs are up close and personal with the customers, bureaucracy and the Board of Directors. And those directors are often less experienced than those in large enterprises so frequently it falls to the CEO as the "paid professional" to service (and manage) the Board. That alone is a huge commitment and needs a very special skill set especially since the management governance divide is often blurred in smaller organisations.</p>
<p>Why being an exceptional manager isn't guaranteed to get you noticed (or rewarded)</p>	<p>A particular skill of the small – medium enterprise manager is multi-tasking – being able to launch a lot of balls into the air at the same time then keep them there - without dropping them. We live in a culture that loves to deal with crises – we're good at it and think that it is the essence of good management. Just look at how well we dealt with the early stages of the Canterbury Earthquake crises. And unfortunately the better a manager is at preventing crises and the more quietly they deal with those they can't prevent, the less recognition they are likely to get. Having seen this over and over again, we enjoyed this quote from management expert Dr Peter Senge (Director of the Center for Organizational Learning at the MIT Sloan School of Management) "... the absence of crisis – [is] not a good way to get attention in a 'leaders are heroes' culture".</p>
<p>What's the job really about?</p>	<p>It's always hard to know what other people's jobs really involve – like the iceberg – there's more below the surface than what's visible. And what's not visible – out of sight – is all too often – out of mind. In the hurly-burly crush of modern organisational life it's easy to lose sight of what our own and others jobs are really about so it's a valuable exercise to reflect carefully on what's important and what's just urgent.</p> <p>How often have you complained, or had people complain to you – "<i>I've spent the whole day in meetings – haven't got a damned thing done.</i>" Or "<i>I've spent the whole day on the phone.</i>" For some that really is tedious and a waste of time. But for others it's what the job is about. In our quest for ever greater "efficiency", through Business Process Re-engineering and the like, we've eliminated waste everywhere we can find it. But there's a lot about how an organisation works that's tacit – invisible – things like institutional knowledge and relationships inside and outside our enterprise. All too often the "baby is being thrown out with the bath water". Reference to "Re-engineering" alone should send up warning flags. "<i>... the belief that human cultures in the workplace should resemble the laws of physics and engineering is a <u>cultural</u>, not a <u>scientific</u> belief.</i>" (Trompenaars, F. & Hampden-Turner, C., 1998 '<i>Riding the Waves of Culture</i>', McGraw-Hill, New York, U.S.A., p4). What we too often don't see are the subtleties of relationships and communications and trust that actually <u>enable</u> the enterprise to function. An illustration might help.</p> <p>We have a colleague who is CEO of a small shareholder client enterprise. A tiny team provide a complex array of services 24/7, 365 days a year in a fast developing, high <i>knowledge density</i> field. The enterprise has a goal of zero defect operation and relies on an exceptional attention to detail and a complex web of outsourcing and national and international relationships.</p> <p>Much of the service is provided by phone or email and as is common in small enterprises, the CEO is responsible for management of both the enterprise and for the delivery of services to the clients. Our colleague can handle 10 to 15 calls in the course of a day, process 20 to 30 emails, supervises the small staff team and a somewhat larger team of contractors and attends at least one external meeting a day on average.</p> <p>Under pressure from their Board of Directors and personally driven to constantly strive for continuous improvement, we often have to ask "What's your job really about?" Turns out – managing the enterprise is the easy bit. It's delivering the service, faultlessly to the client base that is the real job. And that means those meetings, those phone calls, those conversations, the relationship building - they are the work – they are not an interruption to the work, they are not lost productivity – or even lost efficiency. They are at the same time the glue that holds together and the lubricant that channels all the strands of knowledge and resources that modern organisations – and especially service organisations - rely upon. They are what delivers</p>

	<p>productivity. And those things – like that proverbial iceberg are out of sight. As managers and directors we must not let them also slip out of mind.</p>
<p>3 mission critical strategies to optimise performance</p>	<p>As we noted in <i>What it means in practical terms to have poor productivity</i> above, we think it's way past time we tackled our productivity issues from a new perspective. Einstein is on record as saying that "Doing the same thing and expecting a different result is the definition of stupidity" and "You cannot solve a problem with the same thinking that created it". In other words we need to think about our productivity differently – look at it from a different perspective. And the good thing about that is – changing perspective costs very little so it's a very good place to start.</p> <p>Over the last five years <i>Forté Management</i> has reviewed hundreds of reports and conducted a considerable amount of our own research. Looking at our issues from a different perspective has revealed many opportunities to optimise performance. We have distilled those that offer businesses the best opportunity at the least cost to improve performance into three strategies. Here they are:</p> <ol style="list-style-type: none"> 1. Create a complete customer experience. The <i>Forté Management Five Point Complete Customer Experience</i> model is designed as an architecture to help our clients craft their engagement with clients in such a way that the best possible value is created and harvested for the money and time invested. See the model at http://www.forte-management.co.nz/resources/74-5 Point Complete Customer Service Model.pdf.ashx. 2. Improve people performance management. The authors of <i>Management Matters in New Zealand</i> claim that we could improve labour productivity by 40% or capital productivity by more than 70% by improving our people performance management. There's more to solving this problem than just increasing education as the authors suggest though. 3. Manage and develop intellectual assets. New Zealand firms and other enterprises are chock full of high value intellectual assets that we embed in lower value commodity products. This may be our best opportunity to create new value from the knowledge and other intellectual assets that we have already invested in. <i>Forté Management's</i> six step plan provides a framework to help firms identify, record, analyse, protect and develop new value from their intellectual assets. See the model at http://www.forte-management.co.nz/resources/75-6 Step Intellectual Assets Management Plan.pdf.ashx
<p>Happy 20th – to us</p>	<p>July 2011 marks <i>Forté Management's</i> 20th anniversary. We began life as a small business management and direct marketing consultancy, originally known as <i>Smale Direct</i>. In the early days our clients were mainly small business start-ups and it is pleasing to see many of them still in business. As we grew, our rapidly expanding client base wanted more general marketing help and we acquired those competencies. Then, again to support our clients we moved more and more into integrated marketing and general management. Over time we felt an increasing need to supplement our collective science, management, training and development and direct marketing qualifications with higher level management studies. As a result in 2004 we downsized the firm and Tony embarked upon his MBA studies, graduating from Henley Business School, University of Reading, UK in 2008. Soon after, he also became one of a small handful of accredited economic development professionals in New Zealand. Tony is <i>Forté's</i> principal consultant</p> <p>Meanwhile Helen is globally recognised for her expertise in molluscan shellfish growing water quality assurance. She works for <i>Forté Management</i> one day per week (and in her spare time!!). It is natural then that as well as being a Director of the firm, she is responsible for <i>Forté's</i> quality assurance.</p> <p><i>Forté Management's</i> main focus has always been on small and medium sized enterprises although our clients have ranged from one person start ups to tertiary education institutions and Government Agencies and Departments in New Zealand and Australia. We have been part</p>

	<p>of a New Zealand delegation to the UNFCC in Bonn and represented New Zealand at an OECD Forum in Vienna, subsequently serving on two OECD Expert Panels. In more recent times, alongside our general management consulting we have developed a new field of consulting for New Zealand with a special emphasis on the role of national culture and how it affects the way we go about innovation, entrepreneurship and manage our businesses. That has provided a whole range of new insights as to how firms here in New Zealand and overseas can optimise their returns on their investments of capital and time.</p> <p>Our goals are to help our clients increase the returns on their marketing and sales efforts, speed new product development and increase the value created and harvested, to increase staff performance and liberate the value that lays hidden in client's intellectual assets. We have developed a variety of proprietary tools to help our clients achieve those goals including the <i>Forté Management</i> Six Step Intellectual Asset Management Plan and the Five Point Complete Customer Experience model featured earlier.</p>
<p><i>Published by</i></p>	<p>Forté Management - a service of Forté Business Group Ltd 73b Maxwell Road, Blenheim 7201 Marlborough, New Zealand ++64 274 967 821 Skype: tonysmale tony@forte-management.co.nz www.forte-management.co.nz</p>