Forté MANAGEMENT
business & economic development advisors

Forté Enterprise Digest

Complimentary news and information

May 2011

Are You Killing Employee Goodwill?

Employee goodwill matters in the best of times but we predict that it particularly makes an enormous competitive difference in hard times. It's almost impossible to measure but suffice to say that it's a gift our very best employees "give" us every day. It's not just the extra time they "give" us, especially productive time, but their attention to detail, their collaboration and cooperation, the way they treat our customers, the care they give our business. They get on with their work, apparently effortlessly getting their job done. They seek continuous improvement and keep their knowledge/skill base up-to-date. And odds on they are less aggressive at salary negotiation time. In short they are the people we need to pay the most attention, to reward and retain. Paradoxically, in practise, we want to suggest, for many organisations these are the very people that businesses treat the worst or at very least neglect the most – simply because they're not "squeaky wheels".

We want to pose two simple questions. First, has our relentless pursuit of efficiency - squeezing, squeezing, squeezing – also eroded goodwill at a faster rate than we've reduced waste and inefficiency? Second, how much is our failure to recognise staff and their goodwill costing us?

Recent research by Leadership Management Australasia showed that six out of ten Australians and New Zealanders hate their jobs but continue to work because they need the income. A 2010 study by the Australian Institute of Management - (http://www.stuff.co.nz/business/opinion/4899782/Employee-recognition-at-work) showed 40% of employees felt under-appreciated. Tellingly the report authors noted *"The amazing thing is that while money is obviously important to people, non-monetary forms of recognition tend to be as powerful if not more powerful forms of reinforcement ... and they don't require any financial resources."*

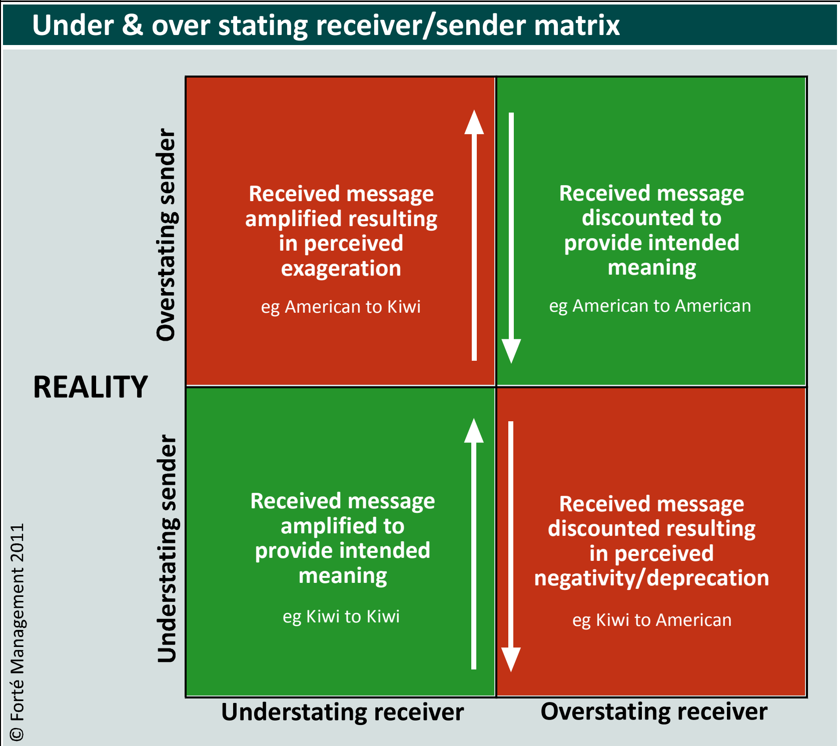
NZ's productivity performance presents a sorry picture. Except for Mexico and Turkey our rate of productivity improvement since 1960 has been worse than every other OECD nation and the trend line crossed into negative territory in 2008. How much of that performance failure can be attributed to killing good will?

We suspect that because we are so poor at managing people and we don't like doing it, that it is convenient to think that we do not need to manage our best people. But we do need to recognise them, reward and develop them – and retain them for as long as we can. Management Matters shows that we are the worst of 16 nations surveyed at managing people performance and not much better at recruiting, recognising and retaining talent.) The same report reveals the immense gains Kiwi businesses can make by improving people performance management. According to the report if we could lift our people management performance from the bottom four of the 16 where it is now, to the top four, it would be the same as adding 41% extra staff or applying 71% extra capital. Tell us where else you can make those sorts of gains!

This article is not just about the way senior managers treat their subordinates either but also the way Boards treat their CEOs and the constraints they place in turn on the way CEOs can manage and reward their staff. We have seen a number of instances recently that have made us cringe. Boards that seem hell bent on destroying the goodwill that they rely upon, pursuing the most petty and banal matters while being seemingly blind to the strategic issues *du jour*. They seem completely blind to the sleepless nights, the cell phone always within reach, the weekends worked, the ever willingness to go not just THE extra mile but many extra miles – blind to how many balls senior staff are keeping in the air. They are destroying for ever the goodwill that accounted for so much of their organisation's productivity and value.

The solutions are practical and within the scope of every organisation that truly want to improve performance and optimise shareholder value.

Understanding People Properly is both Courteous and Profitable.



Communication is one of the windows to culture and we can learn a lot from considering the differences in communication styles between ourselves and other cultures. We are all taught about understanding customer needs, wants and demands. Unfortunately we are rarely taught how very different those can be from one country to another. So before we even begin to engage with export markets we need to understand them much better. A good place to start to explore differences between cultures is to examine communication styles.

Let's consider engagement between a typical Kiwi and a typical American. Americans are direct – get straight to the point. They "overstate", that is they "amplify" their stories. They are often exuberant and are much more confident and assertive than Kiwis. By contrast, because we want to avoid causing offence and looking "big-headed", and because we aren't assertive, we understate or discount our messages, play down the value of our achievements and innovations, we avoid showing emotion at work and we use strange double negatives (Question: "You wouldn't like a cup of tea would you?" Answer: "I wouldn't say no."). This is in stark contrast to how we see ourselves as straight speaking no BS people. In our research on this subject we have talked to many immigrants to New Zealand who found and continue to find it so hard to get a direct answer that at first they thought we Kiwis are elusive by nature.

When people receive a message (visual or verbal) their "software of the mind", that is largely determined by their national culture, automatically decodes the message to provide its true meaning. Americans decode by unconsciously discounting the directness, the overstating and the exuberance to reveal the true meaning. Kiwis decode messages by amplifying to compensate for our typical understatement, the often dour apparently unenthusiastic approach, self deprecation and round-about way of expressing things.

Now imagine when Kiwis and Americans "engage" – verbal or written communications and even promotional material, sales proposals etc. To us, Americans can seem loud, excitable

	exaggerating and direct to the point of rudeness. That's because even though the message is already overstated, we amplify it even further in our minds as if we are receiving the message from an understating Kiwi. A similar thing happens when messages are going in the opposite direction. Americans will discount our already understated message meaning we seem reserved, unenthusiastic, strangely dismissive of our own achievements and elusive like we are hiding something. Of course neither of us knows that there's a software mismatch at play here. Now take a step further. Imagine when Kiwis engage with people from cultures with not only a different language but completely different communication conventions. Then at best we sell ourselves short. At worst, and more likely, we present entirely the wrong message. For example, our natural reserve and lack of directness contributes to the NZTE research findings that we appear to have a "take-it-or-leave-it" attitude, that we are not interested in learning about other cultures or building relationships – we just want to get the contract signed and the money in the bank (NZTE 2009 *"Perceptions of New Zealand research"*, The Neilsen Company). How does that compare with the signals that we want to and think that we send? Understanding the people we want to do business with is not only a matter of courtesy, it is to our distinct advantage – increasing the value we can harvest while lowering transaction costs.
A Reason Why the Economic Liberalisation Model Doesn't Work so Well in New Zealand.	*"There are truths in one country that are falsehoods in another."* Blaise Pascal (1623-62) New Zealand's approach to growing our economy has for several decades, National or Labour, been heavily influenced by the *economic liberalisation* model. *Economic liberalisation* offers a conceptually sound standard ten point prescription for economic reform - fiscal policy discipline, small government, tax reform, market determined interest and exchange rates, liberalisation of trade and of inward foreign direct investment, privatisation of State assets, market deregulation and secure property rights. *Economic liberalisation* was the foundation of our reforms through the 1980s and 1990s. Although we rarely recognise it, one of the most important outcomes of the reforms was to provide us with institutions (as in "institutional arrangements") that are the envy of much of the world. Yet, to quote the OECD *"The mystery is why a country that seems so close to best practice in most of the policies that are regarded as the key drivers of growth is nevertheless just an average performer."* *Economic liberalisation* is much favoured by people like Don Brash. Now we don't want to "diss" Don because some of what he says makes good sense. But – and it's a big BUT indeed – he and many others are missing an essential point. They make the common mistake of assuming that people in different nations will think and behave the same, and therefore economic and management models have universal applicability. They don't because people from different nations think and behave sufficiently differently to influence the effectiveness of models like *economic liberalisation* – unless account is taken of those differences. The *economic liberalisation* model is also known as the *"Washington Consensus"* which is an important clue that it was designed from an American perspective with American thinking and behaviour in mind. And in a business and economic sense in particular, that's very different to our own. This is not to dismiss the validity of the individual elements of *economic liberalisation* – much of the ten point prescription make perfectly good sense, but if we want them to deliver the best possible results – FOR NEW ZEALAND - we need to adopt and adapt them for our particular situation – our small size, vulnerability to international events and especially how we think and behave. As it stands, if we want to base our decision making on "evidence" then the evidence is that *economic liberalisation* isn't a universal prescription or as Boven (Boven, R 2010 *"A Goal is not a strategy"*, The New Zealand Institute) points out *"… economic liberalisation has not been very successful for many countries that have tried it, and [that] many countries have accelerated growth without economic liberalisation… the majority of economic growth stories did not occur as a result of economic liberalisation."* Meanwhile, the proponents of *economic liberalisation* will and do argue that its failure in New Zealand is because we have not made the medicine sufficiently bitter and we need to do more.

	Without entering into that debate, we suggest that there will be many explanations and an important consideration is one that overlays and moderates all the others – our Kiwi culture in general and in particular our sub-optimising or "satisficing" thinking and behaviour. There is an assumption that all nations will engage in maximising behaviour. We know that is not true. In New Zealand it is NOT THE NORM to think and behave in a manner that maximises economic outcomes. If we want policy initiatives like economic liberalisation or management models and strategies to deliver us the best possible results, then we must interpret and adapt them carefully and intelligently so they produce the best possible results for us rather than their authors.
How Much is Quality "Customer Experience" Really Worth?	Contrast these three stories. **The "Good":** We recently visited Blenheim's Thomas's Department Store. Helen was looking for a pair of high quality jeans. The person who served her provided such exceptional service – ticked every box that should have been ticked, that I felt compelled to pass a compliment to the Managing Director. The assistant arranged for Helen to come back for a fitting when the store was less packed "… so it was less pressured". So good was the service that the day of the fitting I checked with Helen to make sure she didn't let down "the lady" at Thomas's. **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? What is it about those "heaps of people" enquiring that they don't get? **The "Ugly":** We purchased some polythene for our greenhouse from the garden centre of a national chain store. After three months it had completely disintegrated. We took a handful of bits back to the garden centre. After some effort we attracted the attention of an assistant. We explain the problem. She says "It's not UV treated. It's not suitable for outdoor use. Where did you buy it from?" "Here of course – that's why we've brought it back." "Well, it's not intended for outdoor use. I wouldn't have sold it to you." We respond "It seems really odd to sell polythene in an outdoor garden centre that isn't suitable for outdoor use." "Like I said, I wouldn't have sold it to you." End of conversation! So that brings us to the American Express survey (http://about.americanexpress.com/news/pr/2010/barometer.aspx). They found that in the USA customers are prepared to pay up to 13% more if good service is provided. India was the highest at 22%. Customers in other countries including Australia were prepared to pay 7 – 12% more. Many reported terminating purchases altogether because of poor service. This is an immense lesson for us – in our domestic AND export markets. This is exactly the point we keep making about understanding other cultures properly. If we do not understand people properly – from their perspective not ours – how can we possibly deliver them the ultimate customer experience? That takes us back to the NZTE research referred to in the "Understanding People Properly…" article. We are failing to provide optimal customer experience and that is costing us an inestimable amount of money. Since providing GOOD customer experience has a very small marginal cost this provides some compelling information on an important way to add to the bottom line. But remember, while we have all been taught the importance of understanding customer needs, no one teaches us about how much those needs vary from culture to culture.
The Positive Side of an Aging	We have done a lot of work over the years on workforce development. One of the biggest concerns we repeatedly encountered was the aging workforce. We always struggled to overcome the prejudices towards "older" workers (Anyone over about 55 years!). It seems

Workforce.	that beliefs are still based on a manual labouring dominated workforce where people did slow down as they grew older. And then of course there's that rubbish saying *"You can't teach an old dog new tricks"*. A new report from the Ministry of Social Development *"The Business of Aging"* (http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/research/business-of-ageing/index.html) should, given receptive minds, dispel some of the myths. The report estimates that the workforce participation rate for older people will increase from the current 16% to 26% by 2030. First, that's really good news for relieving the demands on superannuation. We should not underestimate the productivity benefits of the experience accrued over a lifetime of work. But we need a serious rethink on how we manage our more mature workers. It's all too easy to think of any investment in people over 55 years as being a waste "because we'll only get 10 years out of them". That's more nonsense because that's longer than the average time people stay in a job anyway. There's another old saying that might have more validity *"…growing older and wiser"*. But we have to be prepared to continue investing in workers throughout their lifetimes if we as employers want to reap the benefits from their experience and "wisdom". As I read recently, in Japan it's true that workers grow wiser as they grow older because firms invest in them to make sure that happens.
Why a Good Customer Database is Worth its Weight in Gold.	*Forté Management* began life back in 1991 as *Smale Direct Marketing* that as the name suggests, was a direct or database marketing agency. In fact Tony is a qualified direct marketing consultant. We promoted the value of a good customer database back then and we continue to do so now. Businesses engage in all sorts of promotional activity but few if any provide the return of database marketing well done. We want to highlight just one example – when things have gone wrong. Helen has just received the following email - from her favourite fabric shop – closed since the February 22 Christchurch earthquake – starting with "Dear Helen, Fabric House is happy to announce that we are re-opening in new premises on Monday 9th May." We cannot over emphasise how valuable it is being able to make this announcement direct to a business's best customers. Every business has a database/s – it's just a question of whether they are in a form that you can use productively. Programs as simple as MS Excel will serve the purpose adequately for up to say 2000 members. After that, or if you want to do more sophisticated work then you may need to be looking at specialised software – of which there are plenty of options available. We use the term "database" advisedly – it is a lot more sophisticated than a mailing list. You need to make sure that you can sort (eg in order of amount spent) and select (eg all those that buy a particular product category, live in a particular area or have certain demographics). Ultimately you want to be able to calculate LTV – Life Time Value – a product of average spend, frequency of purchase and recency (the shorter the time since the last purchase the more likely another will follow). Remember not all customers are created equal and if you want to achieve optimal performance from your promotional efforts you shouldn't treat them as if they are all equal.
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