

BusinessPlus+ Newsletter



CBSW
TAX & BUSINESS ADVISORS

Level 2, 49 Oxford Close
West Leederville WA 6007
PO Box 1475, West Leederville WA 6901
T: +61 8 9363 7300
E: admin@cbswtax.com.au
W: cbswtax.com.au

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Issue – July 2021

Australian Business Ranking – IMD World Competiveness Survey 2021

The Institute for Management development (IMD) released its 2021 World Competiveness Index Yearbook in June 2021. The summary document ranks and analyses the capacity of countries to create and maintain an environment which sustains the competitiveness of business enterprises.

The methodology of the World Competitiveness ranking looks the countries environment under four main factors:

- **Economic Performance;**
- **Government Efficiency;**
- **Business Efficiency; and**
- **Infrastructure.**

Each of these factors is then divided into five sub-factors which highlight every facet of the specific areas being analysed. **The table below shows the inter-relationship between the four key factors and their specific sub-factors.**

Competitiveness Factors and Sub-factors

	Economic Performance <i>Macro-economic evaluation of the domestic economy, employment trends and prices.</i>	Government Efficiency <i>Extent to which government policies are conducive to competitiveness.</i>	Business Efficiency <i>Extent to which the national environment encourages enterprises to perform in an innovative, profitable and responsible manner.</i>	Infrastructure <i>Extent to which basic, technological, scientific and human resources meet the needs of businesses.</i>
FACTORS				
SUB-FACTORS	Domestic Economy International Trade International Investment Employment Prices	Public Finance Tax Policy Institutional Framework Business Legislation Societal Framework	Productivity Labor Market Finance Management Practices Attitudes and Values	Basic Infrastructure Technological Infrastructure Scientific Infrastructure Health and Environment Education

Australia ranked overall 22nd on the IMD Competiveness index (down from 18th in 2020) – out of a total of 64 countries included in the survey. **The most significant factor that adversely impacted on Australia’s ranking in 2021 was a very low score of 34th for “Business Efficiency”.**

The main sub-factor that dragged Australia’s ranking for this criterion lower, was the sub-factor – “Management Practices” – which scored a lacklustre 58th.

The country’s scores for **agility, entrepreneurship, customer satisfaction and credibility of managers - all key criteria for Management Practices** - placed Australia amongst the lowest ranked of the 64 nations surveyed. A good starting point for improvement in all of these areas is to **adopt an agile approach** across all facets of your business operation, as shown in the diagram below from Bain & Co.

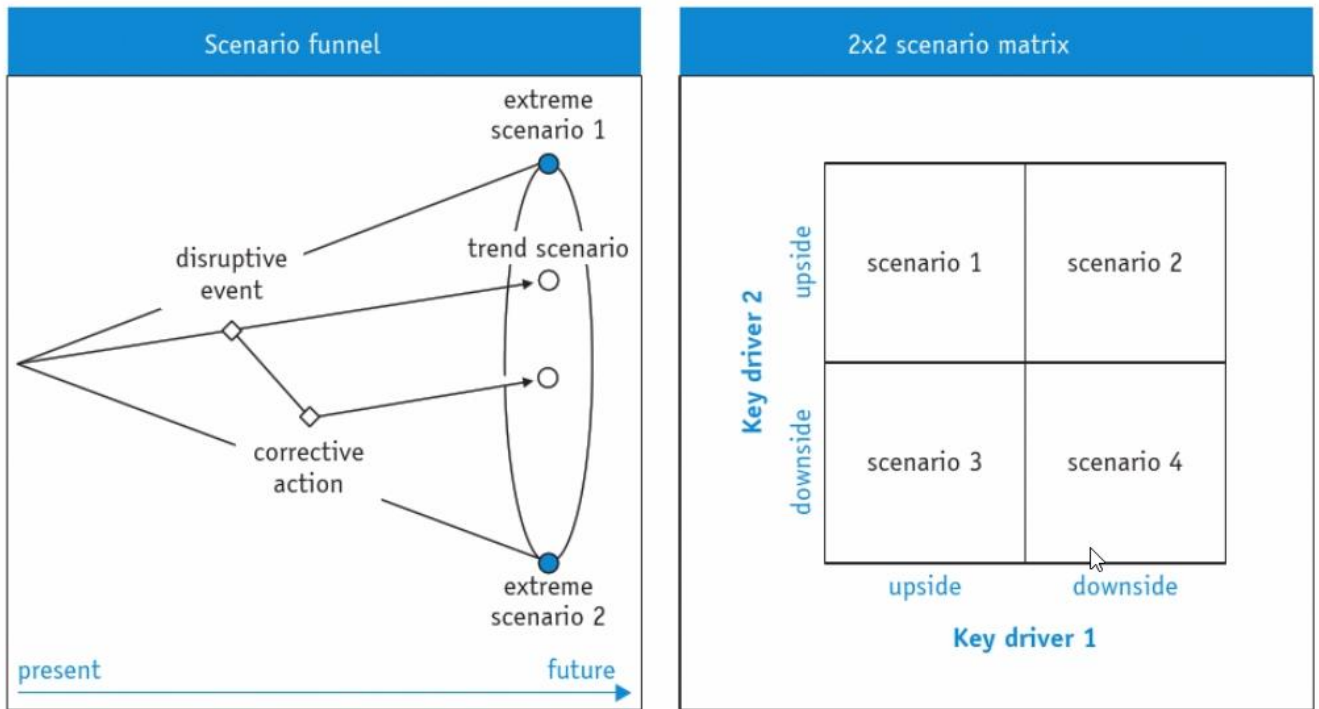
How management time changes



In addition, embracing **Scenario Planning** in the business as a go-to approach for conducting the organisation’s strategic planning process should be embraced as the new normal. The use of scenarios is based upon the philosophy that the best way to improve decisions is to improve the understanding about the future operating environment.

Through disciplined exploration of the future, scenarios enable managers to better foresee different contexts in which the organisation may have to operate, helping to formulate new strategic reasoning that is a better match with “reality as it is” and “reality as it is going to be”.

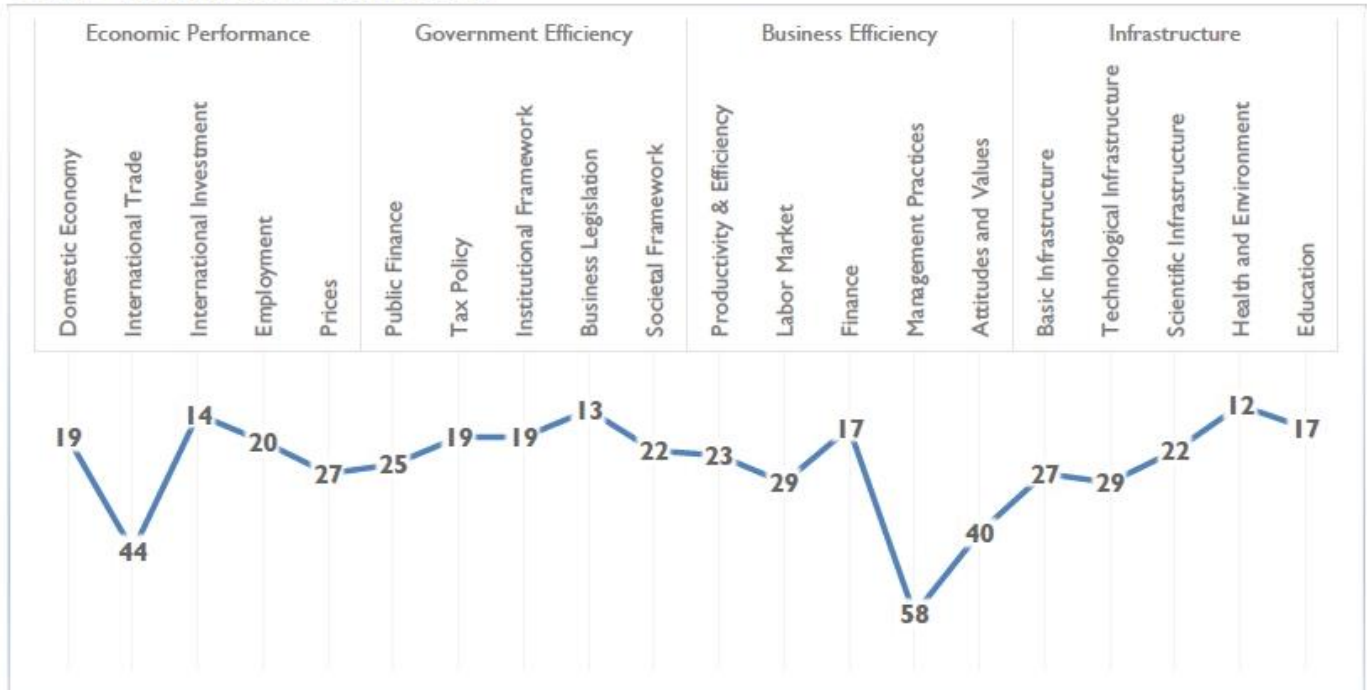
Methods for building scenarios: scenario funnel and 2x2 scenario matrix



Source: Müller-Stewens/Lechner 2011: 195 and Johnson/Whittington/Scholes 2012: 24; adapted

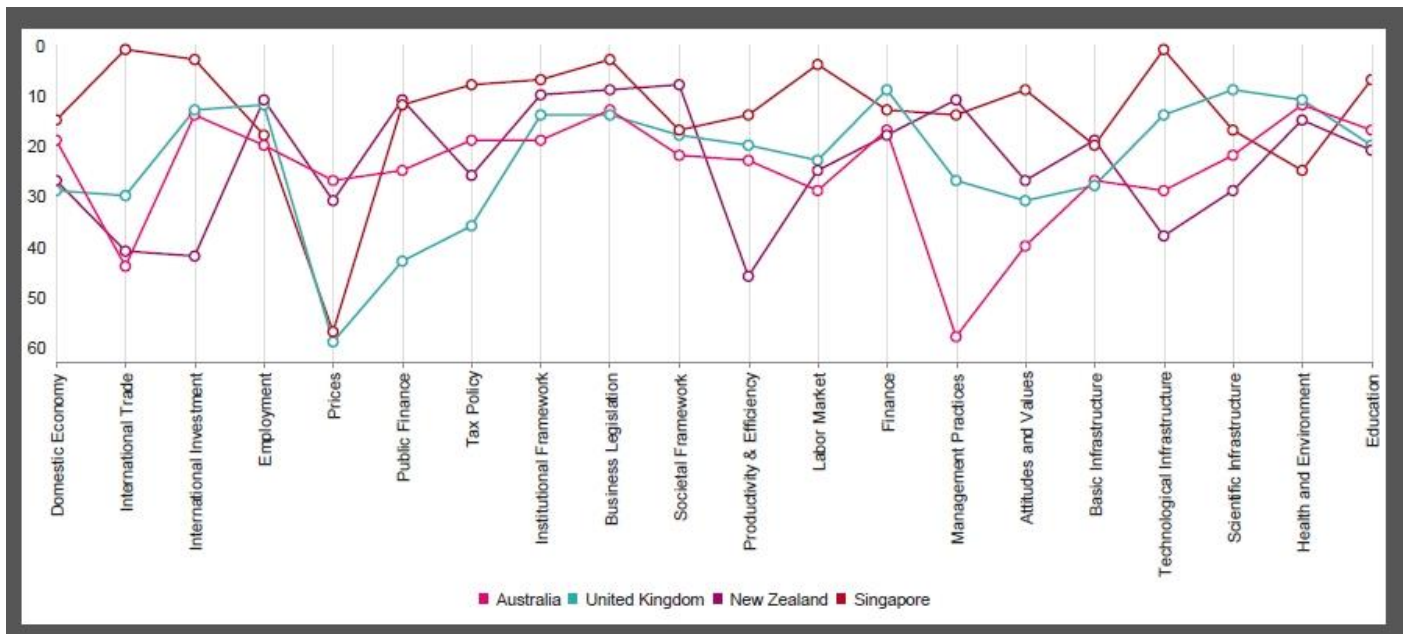
The diagram below summarises the scores for Australia, across the main sub-factors for each of the four competitiveness factors, from the 2021 survey by IMD.

COMPETITIVENESS LANDSCAPE



One of the key points for action by Australia’s business leaders and operators is to embrace the key improvement learnings to be taken in relation to the two lowly ranked sub-factors associated with Business Efficiency – **management practices and attitudes and values**.

A comparison to key associated countries is shown in the table below and helps to put into context the work Australian business has to do, to make significant improvements on business competitiveness.



If you would like a copy of the **Australian Country Profile report** (ten pages only) extracted from the **IMD World Competitiveness Yearbook for 2021**, please click on the link [HERE](#). Also, a copy of the countries comparison's chart (shown above) can be accessed [HERE](#).

Making your Business more Strategic & Successful

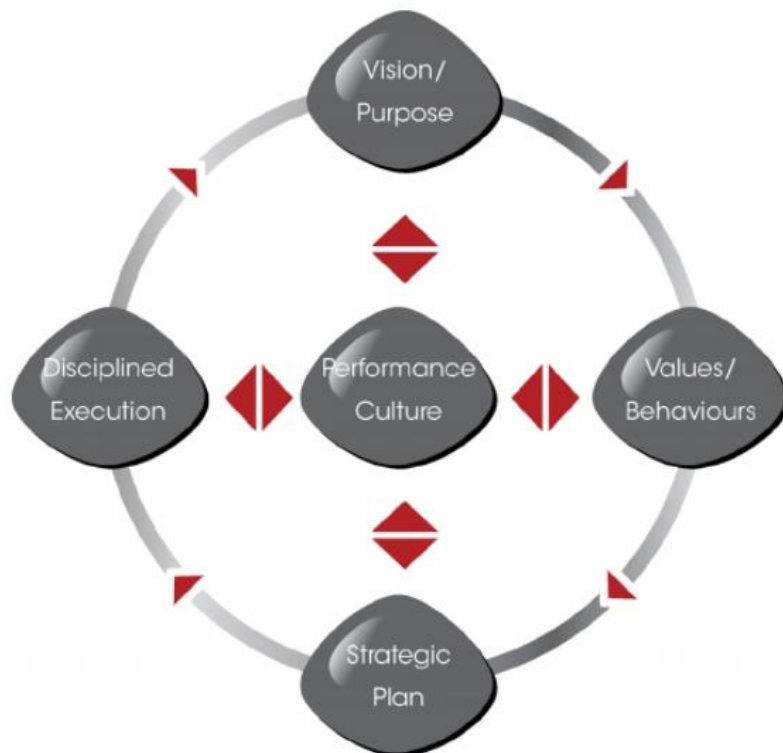
The impact of 2020 will stay with us for the rest of our lives. It marks a critical inflection point of before and after. It is a year that blindsided many small-business owners. We've seen new businesses birthed with success and others thriving amid chaos. We've seen neighbourhood classics tragically lost, and others that struggle to survive day-to-day.

Critical points like these thrust every business owner from acting with strategic intention to reacting to curveballs. As we progress through 2021, most businesses are settling into one of three camps:

- **Thriving, but not trusting the success**
- **Reviving but hesitant to make bold moves**
- **Surviving and feeling battered, bruised and disillusioned**

No matter which category you fall into, you likely are eyeing the rest of 2021 with caution. You're optimistic but timid in your approach to making those big visionary goals you've made in the past. You may even find it hard to dream of a better future because it feels so out of touch with what is happening globally. You are not alone in those feelings.

Now is the opportunity to rewrite the rules and stop settling for less in your business. It is the opportunity to cast a strategic vision that is different from the past and to create more success and growth in your business and your life. Here are some ways you can make it happen.



Accept That Change Is Necessary

Change is difficult, but it is for-ever ongoing for small-business owners. And change is happening at a frightening pace. You've likely noticed that the old reliable ways of getting clients and serving them are faltering. The to-do list of things that need your attention is never ending. It's time to put them to bed.

If change is already happening in your business, why not get ahead of it? When you are reacting to these changes, you treat the symptoms. The better approach is to embrace change to treat the problem. By treating the problem, you employ change to work with you, not against you. People are likely to welcome strategic change now—especially if the change makes their lives better too.

One way to bring agility and innovation into your business is to implement a quarterly strategic planning and review process into your business. This planning keeps your efforts focused, actionable and accountable while remaining agile and able to shift as new learnings come to the table.

As part of the process, ask yourself these questions.

- What would disrupt your business enough to change everything?
- How can you be on the leading edge of that change?
- How can the business be relevant and profitable five or even 10 years from now?

What Does the Customer Really Want / Need?

The old rules of supply and demand have gone. Through issues with manufacturing and distribution, product-based businesses feel the pinch. Changing client needs and social distancing has left recession-proof businesses struggling. Service-based businesses are finding that their services are no longer crucial or needed. No business or business model has been unaffected.

The reason is simple: The customers' needs and their problems are in a constant state of change.

Engaging in a conversation with your clients to identify opportunities is a perfect strategy moving forward. The strategy could be as simple as asking a probing question at the end of every client interaction. It could also be more involved such as surveys or quarterly client advisory groups, to follow a more formal process.

More than ever, staying in tune with the customers' needs and the problems you can solve is imperative. It is the gateway for future growth and innovation.

Work Smarter, Not Harder

Australian culture is typically all about hard work. If you have struggled to achieve your goals, you've likely heard someone telling you to work harder.

Since the rise of intellectual capital as a commodity in the 1980s, the ability to be successful is less about our ability to work hard. Many business owners say how hard they work only to find success seemingly out of their reach. Evidence shows that success is not about hard work per se – more about extreme focus.

Sure, success demands focus determination and resilience – however we challenge the notion that mere hard work is one of the requirements. If it were, we would have more success stories to celebrate. Working smarter is about leveraging the talents of people and collaboration. When you remove hurdles and bottlenecks in your processes, you promote ease of operations; it's the processes that are often the problem - that which is easy gets accomplished. That means being able to produce more revenue with the resources you have. You likely will see a boost to team morale and stop spending time putting out fires.

You should consider leveraging technology and systems to streamline the business, allowing it to run smoothly. **According to Gartner Research, by 2024, organisations will lower operational costs by 30% by combining hyper automation technologies with redesigned operational processes.**

Consider which elements of your client experience and service could be delivered through automation, saving critical points for human interaction and forward-looking strategies for your business. The organisational efficiencies gained can offset growth investments and produce a more efficient team.

Profit Is the Aim, Not a Reward

One of the most misleading entrepreneurial and inspirational quotes is: "Follow your passion and the money will follow." If only things were that simple.

If success is a reward of hard work, this quote puts profit on the same unattainable pedestal. Passion for what you do give you fire in your belly and can bring a sense of contribution. At the end of the day, though, passion doesn't pay the bills – sustainable profitability does.

By shifting your mindset around profit and other metrics in your business, a magical change in how you spend your day occurs. You start focusing on initiatives that produce results and impact your bottom line. For many business owners, bringing profit up on the priority list, even with reduced revenue, is the defining element of rebuilding business stability.

Be a Confident Leader Who Empowers Others

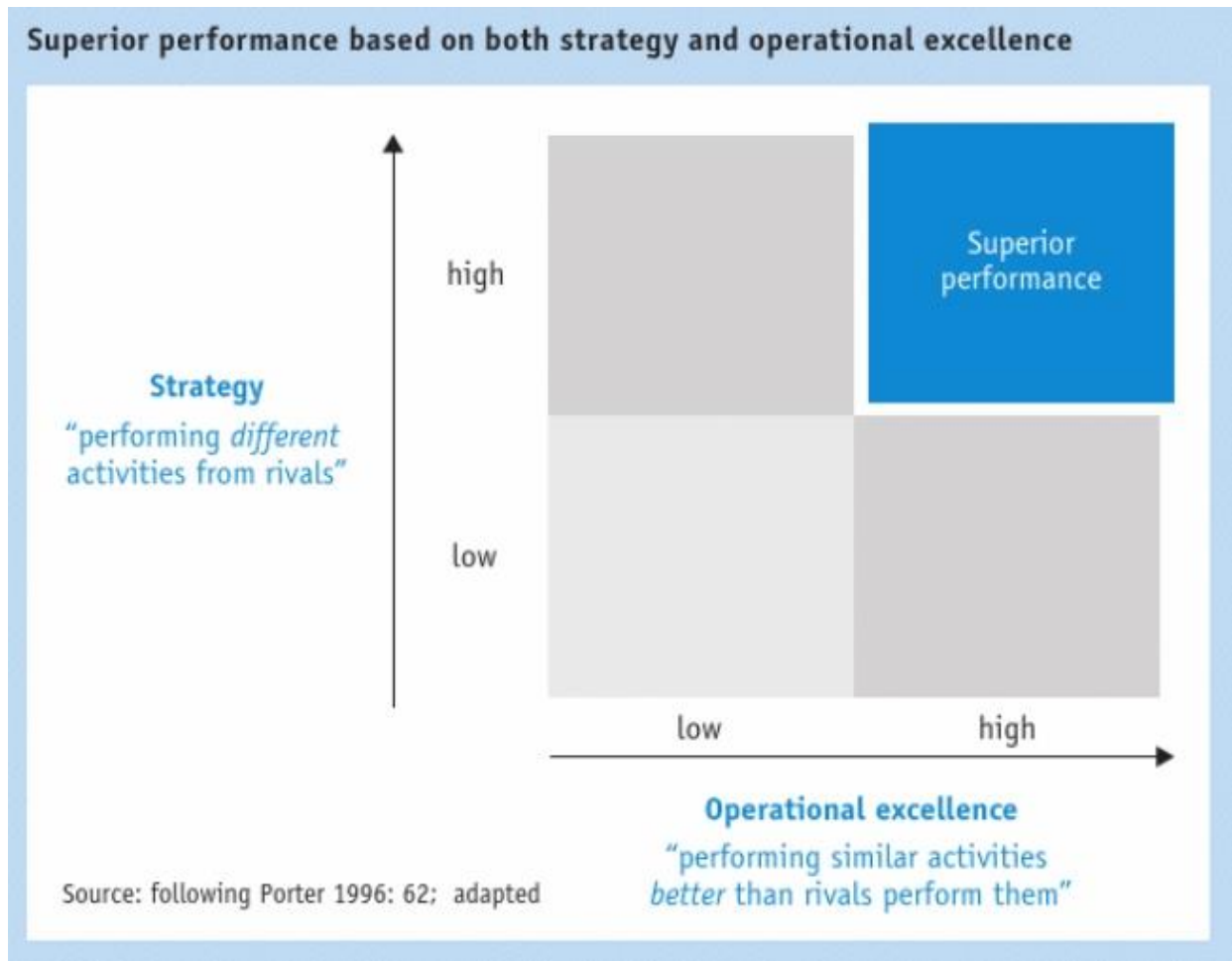
The entrepreneurial trials of the economic crisis have shaken the confidence of even the most experienced entrepreneurs. We are questioning everything in our professional and personal lives. Whispered conversations with other entrepreneurs over the year let us know that we are not alone in that journey.

With this period of reassessment, the future feels less certain. That uncertainty erodes our confidence to take risks and make bold moves. Past success, "knowing" and being right are pillars in the old definition of confidence. *Be careful*—that shaken faith also seeps into our teams' bones. They want something to champion.

There is good news that can breathe new life into your confidence. You do not need all the answers. You do not even need to know the "how" beyond "what is the best next step?" And, you don't even need to be right.

Empowering others is what defines the success of top leaders. What got you here has centred on who you are and what you can accomplish. Those accomplishments won't fuel the future. Relying on your efforts alone is a limiter when scaling your business — *even in strong economic times*. The old definition of confidence was about what *you* could do. Your future confidence needs to be about your team and the belief in what *the team* can do.

For 2021 to be the beginning of your comeback story, you need to take action differently enough to move the needle in your business. Make bold moves that advance and protect your business. Marry your vision to these tips, and you could be looking at a successful year.



Leadership Effectiveness in a Changing Business World

Given the multi-faceted challenge of leadership, and its transformational forces, how do you ever know where you are at and where you are going? The sense of disorientation can overwhelm and with that, the fundamental need to remain grounded.

There will always be ambiguity, the very reason we need leadership. Leaders are in the ambiguity business. This has of course come into sharp focus during the pandemic and will and should change the nature of business leadership for the better moving forward.

Table 1 below summarises the results of a recent study of several successful leaders, which suggests some lessons for leading during a crisis. **It highlights that instinctive responses will not always be what is needed in such uncertain times.**

Table 1 Overcoming instincts to lead effectively

Instinct when facing uncertainty	Needed in a crisis
Seek more information	Act with urgency
Be resolute and justify actions	Acknowledge and respond to mistakes
Stay the course	Adapt and update continuously
Talk down threats and withhold bad news	Communicate with transparency and clarity

Adapted from Kerrissey and Edmonson³

Do I Believe in My People and Do They Believe in Me?

There is no more important question. You will require a system to work it out, and you need to do the work. Set aside an hour or so every month, a fresh journal page and a pad of sticky-notes.

Start with you- the leader. At the top of the page, add the date, and then write down the simple question:

“What makes me – as a leader -believable?”

Then set about answering by taking a 360-degree view, from the perspective of all of those with whom you require their belief - Your Board, your boss, your fellow leaders, staff, and your customers and key stakeholders.

Leadership Questions

A checklist could include questions relating to your leadership: -

- *Do you always bring positive energy?*
- *Are you a teacher or a teller?*
- *Are you focused on getting it right, or being right?*
- *Are you consistent in your attitude and motivations?*
- *Do you do the right thing, even when it’s hard?*
- *Have you established well-understood performance expectations and do you model these? After all, it is not what you promote, it is what you permit.*
- *Are your personal, team and organisational strategies aligned, compelling and makes the best use of scarce resources?*
- *Do you have the functional capability to be believable in your domain?*
- *Are you building a track-record to support your assertions?*

For each of the questions, ask yourself: -

- *What are two of my behaviours that support this value?*
- *What are two of my behaviours that are outside of this value?*
- *What is a leadership habit that will allow me to embed this value more consistently?*

Leadership with Common-Sense

Asking customers exactly what they want and then addressing their needs seems like a very common-sense approach to doing business. However, common sense has become an increasingly scarce commodity for many organisations.

Instead of creating a web of excuses to justify an increasingly complex system, it is recommended organisations adopt a common-sense management approach grounded in empathy.

The Three Pillars of Common-Sense Leadership

For leaders, common sense management has three main pillars: the ability to be vulnerable, the ability to create a strong sense of purpose and the ability to create a collaborative environment.

Showing vulnerability is difficult for leaders but it is key to connecting with your team and showing them that you have weaknesses too - two things are happening. First, you're very clear about where you're good and where you're weak, and therefore you can focus on that.

The second pillar, creating a **strong sense of purpose**, is particularly important for younger employees. They want to be part of a tribe, or a movement, where there's a sense of purpose. And if there is no sense of purpose, they're out of there.

Thirdly, leaders need to create a **collaborative environment for their teams**, without the constraints of departmental KPIs and office politics. A good leader today is only present to break down those silos, through the collaboration aspect. Collaboration helps you see things from a common point of view, and this provides for an empathetic perspective being created. And empathy means that suddenly common sense is present.

Prioritise and Be Comfortable with Saying 'No'

Empower middle managers to adapt and innovate in the face of an increasingly fast-moving business world. It is recommended you adopt a three-pronged approach to building common sense into decision-making, including delegating effectively down the line.

First, managers need to **exercise strategic prioritisation** and control the pace and flow of their own work.

Second, leaders need to **cultivate influence**. The key toward managing effectively and exerting influence is about getting leaders to help their teams do more and achieve more - it's about helping their organisation to be better.

Finally, the fast pace of business means **middle managers must learn how to be strategic**.

Situational Response = Outcome: SH x R = O

Success as a leader is not determined by the situations we experience but our response to those situations. We do not control the events of our lives, but we have power over our response. It is a daily practice, a learned skill, checking in on what is happening inside you in response to what is happening around you.

Hence the formula for leaders: -
Situation Happens (SH) x Response (R) = Outcome (O)

Your **R** is most important when the **SH** is most challenging, and often it's when leadership gets personal when your behaviours are being questioned.

Leadership isn't what you preach; it is what you **practice**, and often underestimated, is what you **permit**. Yes, there may be some understanding, albeit fleeting, for what is happening **around you**. Perhaps there is some empathy for what is happening **inside you** by the few who may have this insight.

But as leaders, we are measured by how we **show up**.

Difficult situations can cause us to drift away from our proclaimed principles and beliefs. Noisy and weighty, we become distracted and tired. It is so easy to get caught up in blame, criticism and deflection, responses that may find friends easily - but offer no solution, no way forward.

Leaders must rise above this- **be conscious and thoughtful**. Make your "**R**" better than any "**O**" that is thrown at you and it starts with how you talk to yourself. Find your voice and all of its power to cut through the noise. It starts with pressing your personal pause button. Quiet the mind. Take out a pen and paper, write down the question:

“What does this situation expect of me?”

Then write three words underneath with some space in between- **Brave, Calm, Humble.**

Now write down a sentence next to each of these words related to the context and content of the “SH”. For if nothing else, as a leader, the situation requires you to be calm, humble and brave. A high-performance culture requires high-performance behaviours, which are established via high-performance habits.

So, what mindset shifts do leaders need to make, for organisations to move from *crisis phase* to the *recovery and re-imagine phases*? Some suggestions are outlined in table 2 below.

Dimension	Respond	Recover/reimagine
<i>Economic and social environment</i>	Volatile and unpredictable	"Next" normal
<i>Attitude</i>	Reacting	Innovating
<i>Dominant focus</i>	Internal	External and market making
<i>Planning</i>	Contingency planning	Scenario and strategic planning
<i>Management style</i>	Crisis management	Agile decision making and management

For more information on leadership, we suggest you read the following short guide – “Leading out of a Crisis – Some Perspectives from COVID-19” - Click on the link [HERE](#) to access the guide.

Business Performance Indicators for Growth

Appropriate business indicators, if implemented correctly with accountability, responsibility, and regular monitoring, are an important part of a business’ strategy. **Measuring the right Key Performance Indicators (KPI’s) and creating actionable items from the data can elevate a business above its competition.**

However, the road to creating and implementing effective KPI’s is generally very difficult for business, as shown in the figure below, based upon survey feedback from a large range of SME’s and larger business; only about 10% hit the mark with great KPI’s! The information is sourced from Australian Stacey Barr who has developed “**PuMP**” – which stands for **Performance Measurement Process** and written a book on the subject titled – “**Practical Performance Measurement**”.



Setting and Monitoring KPI's

First and foremost, you must understand where you are, where you want to go, and how you're going to get there. It's only then that you can set KPI strategies to achieve those goals. The best business KPIs specifically relate to broader business objectives such as sales, customer numbers, brand reputation or awareness.

Once you have your KPIs in place, best practice is to review them on a monthly basis via a monthly management report. The reason for your review is to monitor your KPIs. For example, if your goal was to have completed 20 projects but have only delivered on 16, this could affect you achieving your long-term goals as an organisation.

With each review, look at your KPI targets and strategies and identify the gaps that need to be addressed during the remainder of the year. Above all, your organisation needs to be ready, willing and able to deliver on your KPIs. The real challenge is determining how best to cover any short-term gaps while keeping your team motivated to achieve their goals for the rest of the year.

Managing KPI Shortfalls

A KPI gap can occur for any number of reasons. The best way to understand the reason for the gap and determine how to address it is to break down the situation. Here are some examples of business KPI gaps and how they could be rectified:

Gap: You're meeting your sales targets, but your gross margin is not where you expected it to be.

Solution: *Revisit your pricing strategy.*

Gap: Your sales are falling short.

Solution: *Look at initiatives and resources.* Consider advertising, marketing, people, pricing, and service or product.

Gap: Your profit benchmarks aren't being achieved.

Solution: *Review staff, revenue, expenses and service to identify ways to reduce costs.*

Gap: Your revenue benchmarks aren't being achieved.

Solution: *Review your pricing, sales volumes, input prices purchases and other costs of selling.*

Set yourself a big but achievable goal. Take accountability and responsibility for it but have everyone on the business team motivated and engaged in making it happen. Once you have people's buy-in you can work towards achieving those strategies and goals together.

Staying on Track with Your KPI Business Plan

KPIs can be an invaluable form of business intelligence. If you use them appropriately, you and your employees will be able to clearly see the vision, what's needed to achieve this vision, and what should be done to improve their organisation. This in itself develops a strong team approach to business.

Even if you're a business that's exceeding your KPIs, you always need to keep one eye on success and one on risk management. Often, companies growing at a rapid pace do so with increased risk. You need to make sure you have the right strategies in place to continue to grow successfully and sustainably.

And if you are easily achieving your KPIs, keep in mind you may not have set challenging enough objectives. If this is the case, consider revising your KPIs to see your full potential realised.

Performance Signals for your KPI's

The simple secret to prioritising the KPIs that need your attention is to monitor the size and direction of the gap between current performance and targets. **Your performance measures are there to give you advice about what is going on in your business so you can choose the most appropriate way to manage its performance.** This means that you will choose different types of actions depending on what kind of advice your measure is giving you, or, what kind of signal it's giving off.

Improving performance is about closing performance gaps. **There are several ways to explain what a performance gap is:**

- **the difference between as-is performance and should-be performance**
- **the difference between the current level of performance and the target**
- **how far away we are now from where we want to be**

Your KPI signals each have a specific level of urgency, depending on the size and direction of the performance gap.

This helps prioritise which KPIs to give your limited attention and resources to.

Prioritise Each Measure - Only Fix the Urgent Ones

How many beanbags can be juggled at the same time? The world record is 14 beanbags, set by Alex Barron in 2017.

He only managed to hold on for a few seconds, enough to catch each beanbag once. Improving performance is like juggling beanbags too, as we can only handle so much at any one time. Real-world limits on our attention, resources, and energy make certain of that.

But we need our improvements to hold for longer than a few seconds, so we're better off trying for far less than 14 at once. **The moral of this story is that it's not realistic to try and improve all of our KPIs at once!**

"Improving everything isn't the same as everything is improving. Focus on what needs to be improved, improve it and ensure it can be sustained and then move on to the next thing to improve."

The 7 Signals Set Your KPI Priorities

There are seven important performance signals you'll want to look for, and be prepared to respond to when you see them:

Signal 1: Performance Is Unpredictable or Chaotic

When performance is unpredictable you'll see it fluctuating wildly with very large variability from week to week or month to month, with no steady and consistent pattern of randomness. This chaotic KPI behaviour is symptomatic of a business process that is out of control because it lacks standardisation in the process steps or the inputs used.

ACTION: *Don't try to improve performance. You need to get the business process under control first.*

Signal 2: Performance Is Worsening

Depending on your performance measure, worsening performance might be evidenced by an upward trend or shift, as in the case of Expenditure or Rework Hours, or by a downward trend or shift, as in the case of Customer Satisfaction or Profit.

ACTION: *If you can pinpoint when the worsening in performance began, you have a better chance of finding out why, and taking successful action to turn the trend around.*

Signal 3: Performance Is Stable and Not Changing

Performance values will always vary to some extent, and variation does not necessarily mean change. If your performance measure values are varying consistently within the same band or range, and you don't see any values breaking away from this consistent but random pattern over time, the measure is signalling that nothing is changing.

ACTION: *Sometimes no change in performance is good, when it's already at the target level. But it's not good if you expected or planned to see improvement, such as after you implemented a change initiative.*

Signal 4: Performance Is Improving, But Not Fast Enough to Reach the Target

All improvement in performance is good, when it's planned. But sometimes the improvement is not big enough or fast enough to reach the planned targets. If the targets still matter, and your measure is signalling that the improvement rate won't be fast enough to reach the target in time, you need to intervene.

ACTION: *Find out what's still holding performance back, despite your previous efforts, and then allocate more resources to continue closing the performance gap.* Or maybe the target was just for inspiration, and the improvements achieved so far are a win anyway?

Signal 5: Performance Is Improving at A Rate Fast Enough That the Target Will Likely Be Met

This is a good signal! That you measure is indeed tracking confidently toward its target level of performance is a great sign that your strategies and improvement projects aimed at reaching the target are working. But such signals are not a sure sign, because just as extraneous factors can cause a deterioration performance beyond your control, they can also cause an improvement in performance beyond your control too (just take the economy as an example in both cases).

ACTION: *Don't celebrate too early!* Check that your actions were the real reason for reaching the target, and if they weren't, be ready to respond if performance starts falling back again.

Signal 6: Performance Has Reached Target

The best signal to get from your performance measures is that the target has been achieved. As with the signal of performance tracking confidently toward its target, this is a great sign that your strategies and improvement projects have worked. Once again, though, such signals are not a sure sign, because of those extraneous factors outside your control.

ACTION: *Check before you celebrate.*

Signal 7: Performance Has Exceeded the Target

Contrary to what you may think, exceeding a target is not better than meeting a target. It is a potential waste of resources and time that could have been better spent closing performance gaps in other important KPIs.

ACTION: *Can and should resources be diverted to other KPIs that still have unacceptable performance gaps?*

If you would like a copy of a "[Strategic Plan on a Page](#)" - that incorporates KPI's - please click on the link [HERE](#). Additionally, if you want a copy of the article "[KPI's and the Logic of Decision Making](#)" please click on the link [HERE](#).

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