

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

INDEX

Creating an Optimal Teamwork Environment	1
Business Essential Briefs:-	
(1) Cyber Security	3
(2) Quiz: Understanding Foreign Exchange Risk Management	3
(3) Australian Business Supply Chain Risk.....	3
(4) Improving Australian Business Management Practices	5
Understanding Consumer (Customer) Behaviour	7
Answers – Foreign Exchange Management Quiz	8

Issue – August 2021

Creating an Optimal Teamwork Environment

In their book “*The Wisdom of Teams*” Jon Katzenbach and Douglas Smith, both partners at consulting giant McKinsey at the time, redefined what being a team is. They studied 50 different teams in more than 30 companies, from Motorola and Hewlett-Packard to Operation Desert Storm and the Girl Scouts.

From observing the successes and, just as importantly, the failures of these teams they built a model and a series of principles on how to run a high performance team, what they deemed a ‘real team’, rather than a poorly performing ‘pseudo team’.

According to Katzenbach and Smith a real team has to have three team basics, which are driven by elements and behaviours:

Accountability – for a small number of people where there is accountability on a mutual team basis and for each individual.

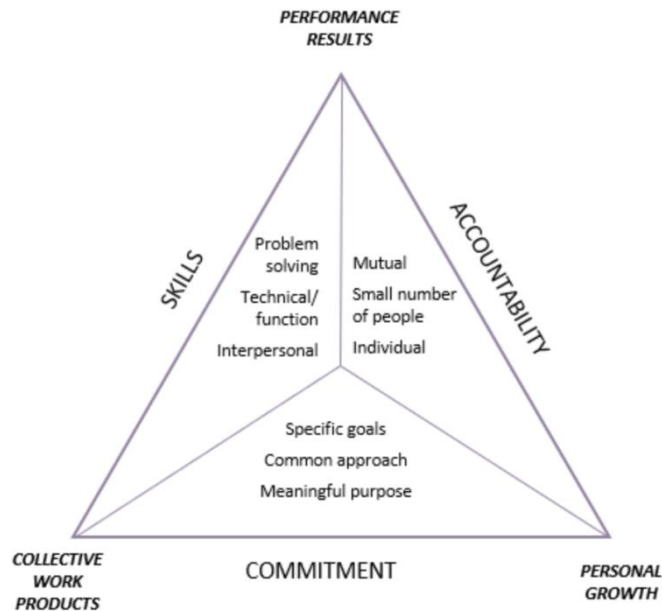
Commitment – this is driven by a meaningful and agreed purpose for the team, a common approach with specific goals to achieve the purpose.

Skills – the team needs members to cover all the technical and functional skills for the task in hand and develop problem-solving abilities alongside effective interpersonal communication.

These basics and their behaviours will help a team achieve its performance results as well as gain personal growth. They will also create what Katzenbach and Smith term ‘collective work products’. These are where two or more members work on a task together, such as a specific work assignment or task, survey or experiment.

Katzenbach and Smith also identified six key factors to help teams performing optimally:

1. **Small enough in number** – keep numbers down as teams need to meet frequently and be open and interactive. If more people are needed make sub-teams.
2. **Complimentary skills** – the team should contain problem-solvers, technical skills and interpersonal abilities or learn them.
3. **Truly meaningful purpose** – high performing teams spend a lot of time working out a common purpose and it should be written down in a ‘vision’ or ‘business case’ and referred to frequently.
4. **Specific goals** – teams should develop SMART (Specific, Measurable, Achievable, Realistic, Time-constrained) goals aligned to the purpose.
5. **Clear working approach** – the work to achieve the goals must be understood easily by all and adaptable for improvements.
6. **Sense of mutual accountability** – as well as people being clear on their roles, there should be a clear sense of team goals and that only the team succeeds or fails, not individuals.



Wisdom: Katzenbach and Smith's Model of Team Basics

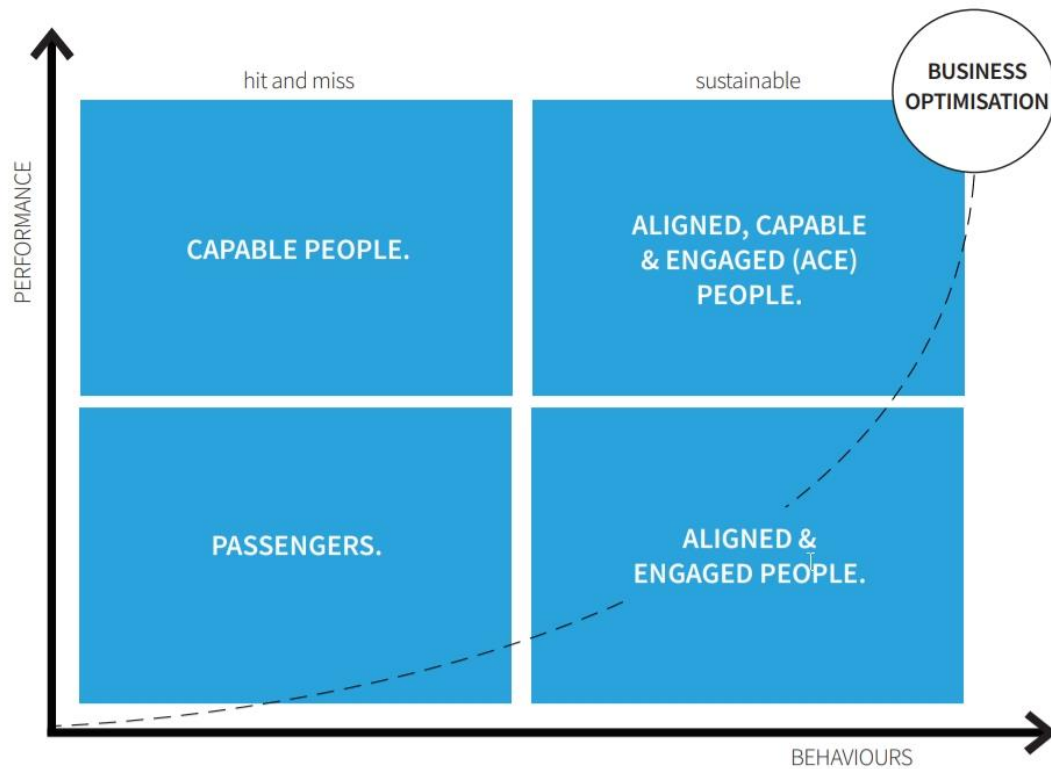
In a later published the book *“The Five Dysfunctions of a Team”* - written by Patrick Lencioni, who observed that striving to create a functional, cohesive team is one of the few remaining competitive advantages available to any organisation looking for a powerful point of differentiation.

Functional teams avoid wasting time talking about the wrong issues and revisiting the same topics over and over again because of lack of buy-in. Functional teams also make higher quality decisions and accomplish more in less time and with less distraction and frustration.



A concise summary of the book *“The Five Dysfunctions of a Team”* can be sourced from the link [HERE](#) and a summary diagram of Lencioni’s *“The Advantage: Teamwork Model”* can be obtained [HERE](#).

Ultimately the idea to become a highly agile business focused around the core purpose and values of the company. This can be achieved by having effective and appropriate behaviours and performance in the whole work team in the organisation – by moving towards the business optimisation quadrant, as shown in the diagram below.



Business Essential Briefs

(1) Cyber Security:

As more Australian companies conduct a majority of their business online, cyber criminals are becoming smarter and better resourced. If successful, this can cause significant disruption to an organisation – by stealing classified information or funds. So, if you're running a business, cyber security has never been more important.

In a way, it's a lot like taking out insurance to shield your business from things like theft and product liability. Implementing cyber security measures can help safeguard your technology and information from cybercrime, and support your recovery should your business experience a cyber-attack.

A cyber security guide has been produced by Business Australia to help you understand cybercrime, the risks it poses and the steps you can take to navigate potential threats and how to protect your business.

To access the guide, please click on the link [HERE](#).

(2) Quiz - Understanding Foreign Exchange Risk Management:

Here is a fun way to explore or improve your understanding of foreign exchange management, if your business needs to make and receive payments in foreign currencies. This resource uses a quiz format that you will hopefully enjoy – **we will provide a link to the answers at the end of this newsletter.**

The quiz questions can be accessed by clicking on the link [HERE](#).

(3) Australian Business Supply Chain Risk:

Australia's supply chains proved generally resilient in response to the COVID-19 pandemic, but the experience with COVID-19, following the devastating 2019-20 bushfires has highlighted Australia's potential vulnerability to supply chain disruptions. Panic buying of some goods, notably personal protective equipment, and the imposition of export restrictions on these products by some countries added a degree of urgency to the unfolding situation.

Regardless of the response, managing the risks of supply chain disruptions — whatever their origin — inescapably entails costs on businesses, consumers and governments. These costs vary substantially and depend on the choice of mitigation strategy — stockpiling, supplier diversification, contingent contracting, developing domestic capability, among others. They also depend on the state of preparedness of firms and governments to assume responsibility, and to make effective decisions, on the level and manner of risk management they are prepared to take.

Supply chains are networks of firms participating in the process of transforming inputs into final products that are delivered to consumers. Improvements in technology and trade liberalisation have made it easier and cheaper to source many goods and services from overseas. This has brought benefits from specialisation and economies of scale. It has also lifted the complexity of supply chains — modern supply chains often rely on inputs from across the globe and can consist of thousands of firms.

A good Australian example of supply chain issues is to be found in the nation's \$45bn wine industry. That industry is scrambling to secure French oak barrels out of Europe in time for next year's vintage as big disruptions across the global supply chain caused by Covid-19 play havoc with shipping schedules and the price of barrels skyrocket. The price of French oak barrels, highly prized by Australian winemakers for adding layers of flavour and complexity to their premium and luxury wines, has risen by more than a third since the pandemic emerged to now cost more than \$2000 each.

This intricate web of economic interdependencies means that a supply chain is potentially exposed to the many types of shocks that can affect every business, both in Australia and overseas: geopolitical (for example, a trade war), environmental (a natural disaster), economic (a financial crisis), societal (a pandemic) and infrastructure-related (cyber-attacks). Business exposure to these risks depends on the characteristics of supply chains. A lack of flexibility, such as a dependency on one firm for a critical input, geographic clustering when all firms in an industry are in one location, and lengthy supply chains increase firm-level risk.

To manage their exposure and appetite for these risks, those businesses that are most vulnerable use sophisticated tools and strategies.

Stages of supply chain risk management strategies can be thought of in a prevention, preparedness, response and recovery ("PPRR") paradigm, sometimes used in emergency and disaster management.

In the context of this PPRR paradigm, strategies seek to improve supply chain resilience by:

- **preventing** a disruption (or lowering the likelihood of a disruption occurring);
- **preparing** the rest of the supply chain to avoid the costs of the disruption;
- improving the speed and effectiveness of the firm's **response**;
- facilitating a firm's **recovery** from a disruption.

Firms make decisions about investing in each of these stages before a disruption, but naturally some strategies will only come into effect after a disruption has occurred (response and recovery).

Different risks are better treated in the most appropriate stages of the PPRR model. For example, a predictable risk (such as the potential impacts of the United Kingdom withdrawing from the European Union) might best be treated in the prevention stage.

However, an unknown, highly uncertain risk (such as a large storm) might be better treated through response and recovery (or in preparatory actions that will help more effective response or recovery after a disruption).

A combination of appropriate strategies used at different stages, is likely the most effective approach to managing risks. The figure below outlines some of the different PPRR strategies available to business.

Prevention	Preparedness	Response	Recovery
<p>Reduce the likelihood of a disruption</p> <p>Locate factories, suppliers or warehouses in areas that are less prone to disruption</p> <p>Choose suppliers that are less vulnerable to disruptions</p> <p>Invest in risk management for critical suppliers</p>	<p>Prepare the rest of the supply chain to mitigate costs of the disruption</p> <p>Hold additional buffer stock</p> <p>Have additional capacity among other suppliers</p> <p>Diversify supply network and geographic footprint</p> <p>Delayed product differentiation</p> <p>Use contingent contracting</p> <p>Take out insurance</p>	<p>Improve the speed and effectiveness of the firm's response</p> <p>Invest in early detection systems</p> <p>Have contingency plans in place ahead of a disruption</p> <p>Have flexible manufacturing processes</p> <p>Use dynamic pricing and promotion</p>	<p>Recover from the disruption</p> <p>Develop post-disruption recovery plans</p>

Sources: Hopp et al. (2012, pp. 24–26) and PC (2014b).

Figure 4: Companies that maintain the status quo have elevated risk



Source: Bain & Company

If you are interested in some more information on supply chain management, please use the link [HERE](#).

(4) Improving Australian Business Management Practices:

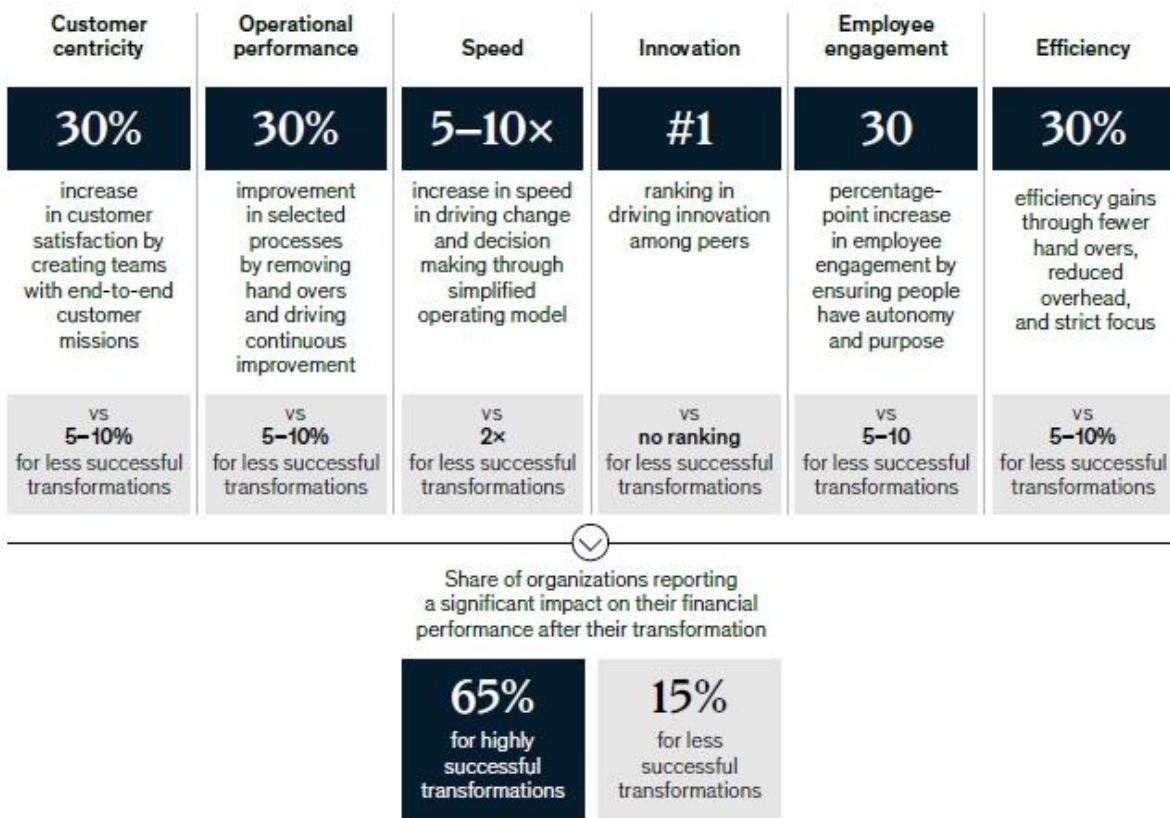
In the July edition of BusinessPlus, we included an article discussing Australian Business ranking on the IMD World Competitiveness Index for 2021. Australian businesses ranked 22nd overall, **however performed very poorly on the management practices** coming in at 58th out of 64 countries.

Management practices key criteria include agility, entrepreneurship, customer satisfaction and manager credibility. Looking specifically at the topic of business agility this month we note that “agility” is currently a very common business topic. Online searches for “agile transformation” yield around 100 million hits, and the stories of well-known pioneers circulate widely. But is this just hype, or are there real benefits to be gained? Is agility just noise from the IT department, or an opportunity that merits serious attention from the top team? And if pursuing agility yields benefits, what is the recipe for success?

Highly successful agile transformations deliver significant performance improvement. The essence of an agile transformation is reimagining the organisation as a network of high-performing teams, supported by an effective, stable backbone of strategy, structure, processes, people, and technology. Imagine working on such a team - having the right people working together, all with different capabilities - enabling businesses to move with unprecedented speed. This can increase customer satisfaction and boost operational performance. It can also provide a safe place to experiment within the business and drive more innovation. Employees will feel more engaged and enthused by a clear and common purpose, the autonomy to make decisions, and an ability to develop and grow in their roles with the business.

Highly successful agile transformations result in a step change in performance, with impact achieved in multiple dimensions.

Impact achieved by highly successful¹ agile transformations

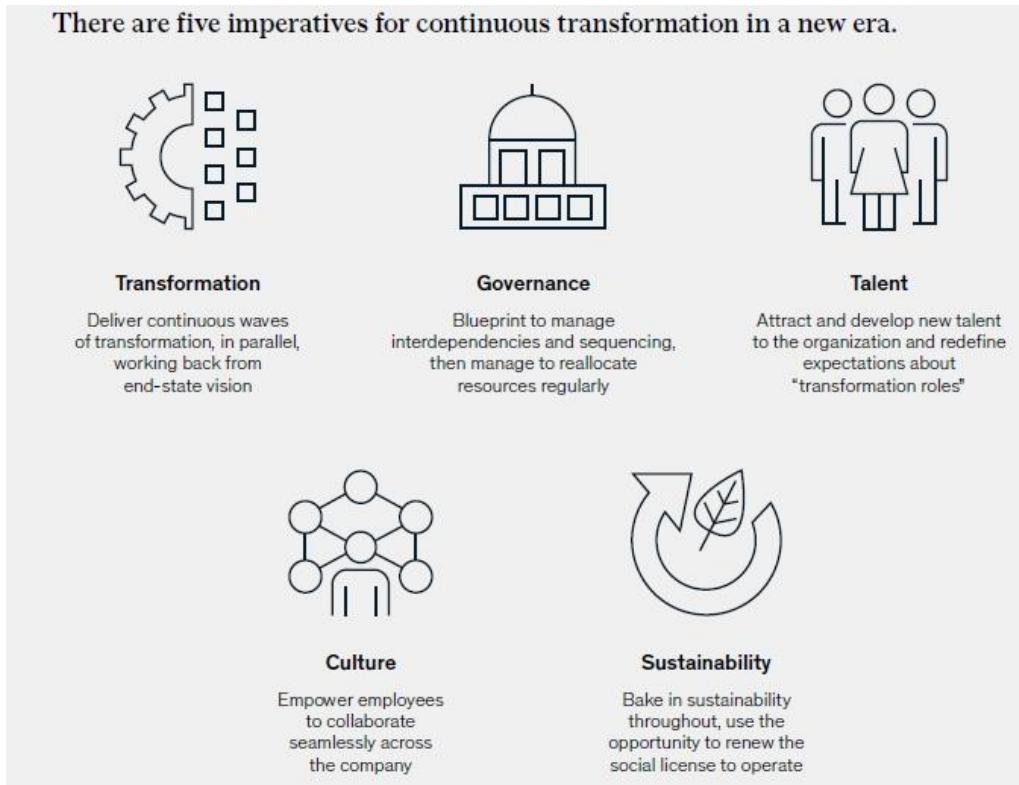


Source: McKinsey & Company

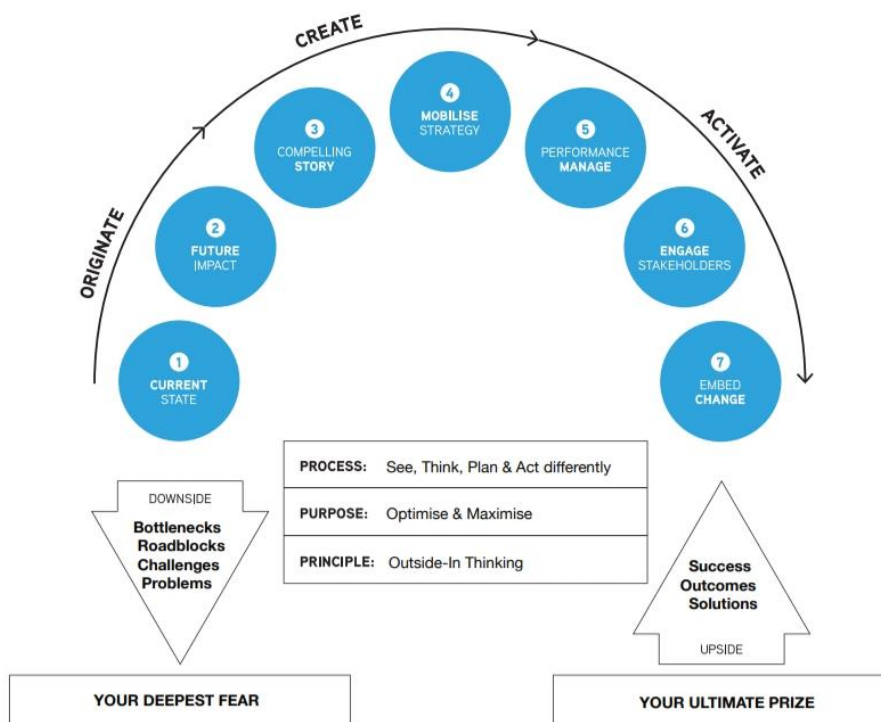
A recent global survey by McKinsey & Co. produced a useful article, resulting from that global business research. For a copy of that paper – “*The impact of Agility: How to shape your organisation to compete*” please click on the link [HERE](#).

In addition, McKinsey & Co. recently released a paper titled “*How Australian companies can reinvent themselves in 2021*” which discusses the items shown in the diagram below and it can be accessed [HERE](#).

There are five imperatives for continuous transformation in a new era.



The diagram below captures the business approach required to transform your business effectively by adopting strong process, purpose and unique "outside-in" thinking principle.



Source: Brian Sands – Strategy Advisor

Understanding Consumer (Customer) Behaviour

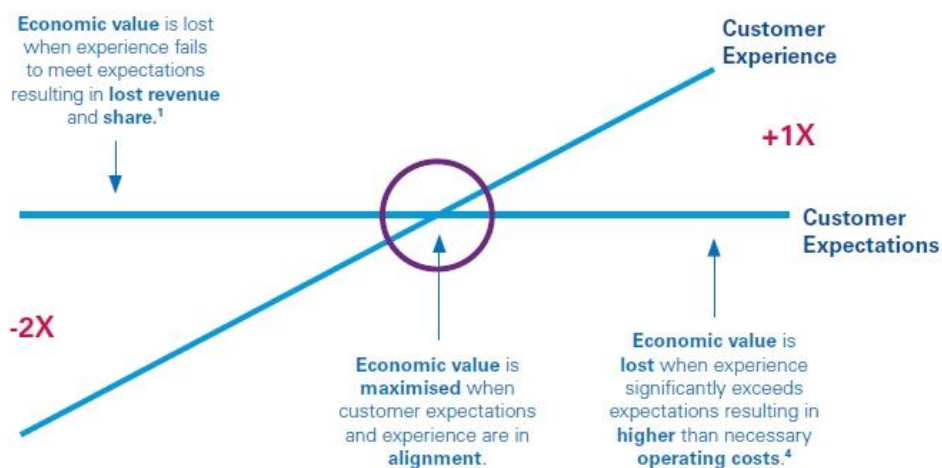
Consumer behaviour is the study of individuals, groups, or organisations and all the activities associated with the purchase, use and disposal of goods and services, and how the consumer's emotions, attitudes and preferences affect buying behaviour.

The task of attracting, winning and keeping customers is the most important challenge facing any business today.

According to Salesforce, 76% of consumers expect companies to understand their needs and expectations. Understanding how your customer behaves is the gold in your organisation and you can use that from the top to the bottom - the look of your brand and website, tone of voice, how you communicate to customers and where. Then you will fly, because if the consumer likes what you're selling and how you're selling it, they'll come back for more - and they'll tell more and more people about you.

Of course understanding your customers changing behaviours is very important in terms of the “What” you deliver them (**your products and/or services**) and the “How” you deliver them (**the customer experience**) and getting the balance right with both of these. The diagram below illustrates this for the **customer experience (“CX”)** part of the interaction with them by the business.

Balancing between what customers expect and what an organisation should deliver plays a direct role in the value CX brings to a business. Both under and over delivery of customer experience negatively impacts economic value.



The negative impact of under-delivery can be up to twice as great as the positive impact of over-delivery.⁵

Source: KPMG - “What is the value of the customer experience?”

We have a useful Insight paper on the subject of understanding “**Consumer Behaviours**”, including providing you some guidance on:-

- **What are the relevant customer behaviours you need to know about?**
- **Why are these behaviours so important? and;**
- **How can SMEs find customers and keep them?**

To access this Insight paper, please click on the link [HERE](#).

Foreign Exchange Management Quiz – The Answers

To access the answers to the Quiz questions, please click on the link [HERE](#).

Disclaimer:

Business Plus is distributed monthly by CBSW Tax & Business Advisors to provide information of general interest to our clients. The content of this newsletter does not constitute specific advice. Readers are encouraged to consult their CBSW advisor for advice on any specific business matters.

Providing you professional direction

