

BusinessPlus+ Newsletter



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Issue – March 2023

Looking after Your Business Team (Responding to a Fragile Workforce)



The business working environment (refer to the diagram below) has changed a lot in the past few years and more disruption is foreseen. This means that business operators must be particularly mindful of the needs and desires of their staff in this period of low unemployment and a shortage of talented workers; they now hold the power, and they know it too. Everything you can do to improve your business operating model and culture/values to support your work team, will be good investments to consider, so you can differentiate your business in a tight labour market and from your competitors.



We have a mountain to climb!

Economic & Political

- Inflation
- Property market declines (people feeling less wealthy)
- Potential for downturn
- Labour and/or skill shortages
- Geo-political threats

Natural and Environmental

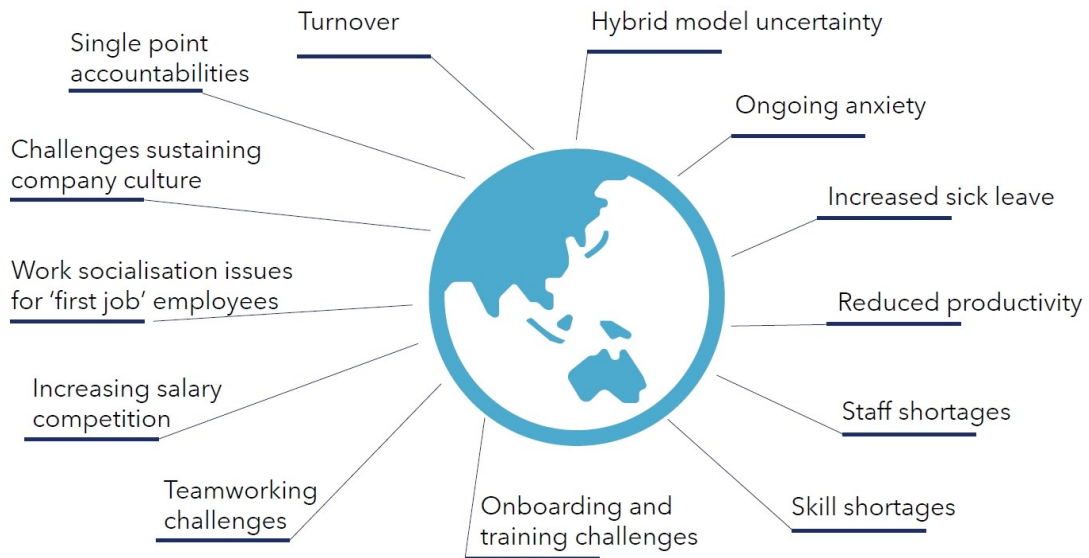
- Extreme weather events (e.g. record flooding)
- Periodic virus peaks and accompanying roster challenges

Human

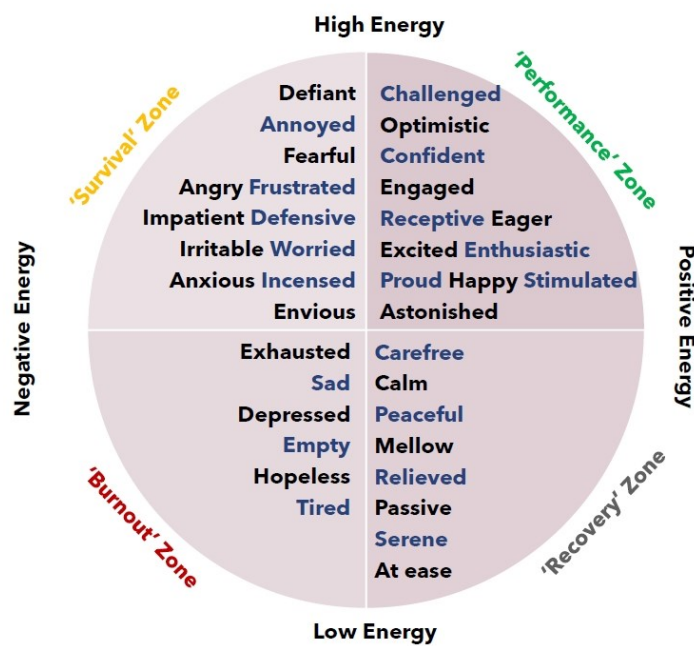
- Declining real income
- Potential for mortgage stress
- Increases in mental health challenges in our workforces
- Behavioural challenges in "first job" employees
- Potential for Industrial Relations challenges
- Declines in organisational loyalty

Staff Resilience & Energy

Workforce resilience is an important subject for discussion given...



If might be helpful to consider what "energy zone" your workforce is currently experiencing



People like money, but they like feeling valued more. Over time, higher level talent salaries have become inflated and used as a tool to lure and control that talent. But no amount of money will make up for employee dissatisfaction, at any level, and no one wants to feel like a commodity. Your staff want to feel special and appreciated.

To help your work team feel valued so they can keep delivering for your organisation:

- **Never dismiss their ideas.** Top talent employees have spent a lot of time developing their skills and expertise. They want their voices to be heard when it comes to how to use those skills and expertise.
- **Never block their development.** If top talent employees don't think you're giving them opportunities to further develop and advance, they'll go elsewhere to find those opportunities.
- **Never pass up the chance to praise them.** It might seem like super-talented people don't need to be told how good they are, but they do. Don't just give a patronising pat on the back; be sure to recognise specific contributions.

Business leaders must strive to ideally get all their staff operating in the "Performance Zone", as shown in the diagram above. This will improve the overall performance of the business and positively impact staff retention levels too. Adopting a strategic business approach that addresses the issues shown in the diagram below, is critical for successfully implementing the changes needed for improving the "People" part of your business model.

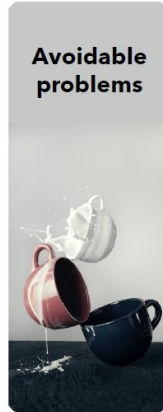
Avoiding People Problems

These approaches to strategic uncertainty help in ways other than managing your workforce. Critically, they can help enormously in avoiding problems that we have seen in the last couple of years

Cost cutting

- Reducing staff numbers early in the pandemic, damaging workforce credibility, and creating real shortages
- Cutting costs that reduce morale (e.g. don't cut the "biscuit budget")

Avoidable problems



Process

- A recruitment process that is no longer "fit for purpose" e.g. slow, prescriptive, inflexible
 - Feedback processes that are too slow to identify material drivers in turnover
- Decision processes that are slow to adjust for turnover drivers

Planning

- Plans not fully accounting for material changes in absenteeism
- Inadequate or late positioning for salary and EBA negotiations
- Incomplete understanding of emerging competency requirements
- Difficulty identifying alternative pools of labour or talent

Strategy and communication

- Missed strategic opportunities to "build your own" skilled workforce
- Being behind on Employee Value Proposition (EVP) "war"
- Failures to communicate effectively in a "living with the virus" world which has a variety of other challenges

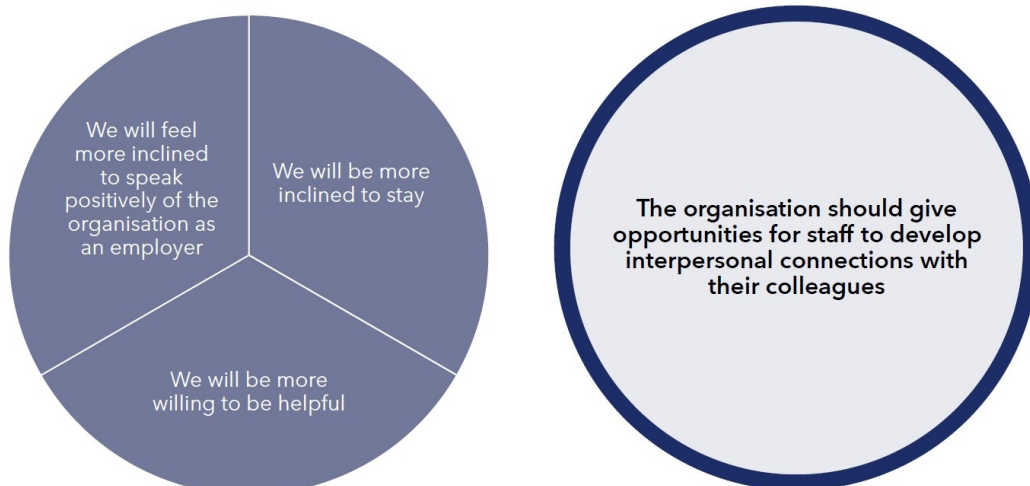
Fundamental Staff Needs

At a basic level staff want to be valued and feel connected to the purpose of the business in real ways. Sharing the business objectives and strategy with workforce are a key part of this process for business leaders to embrace and make a part of their annual briefing updates and new employee on-boarding procedures.



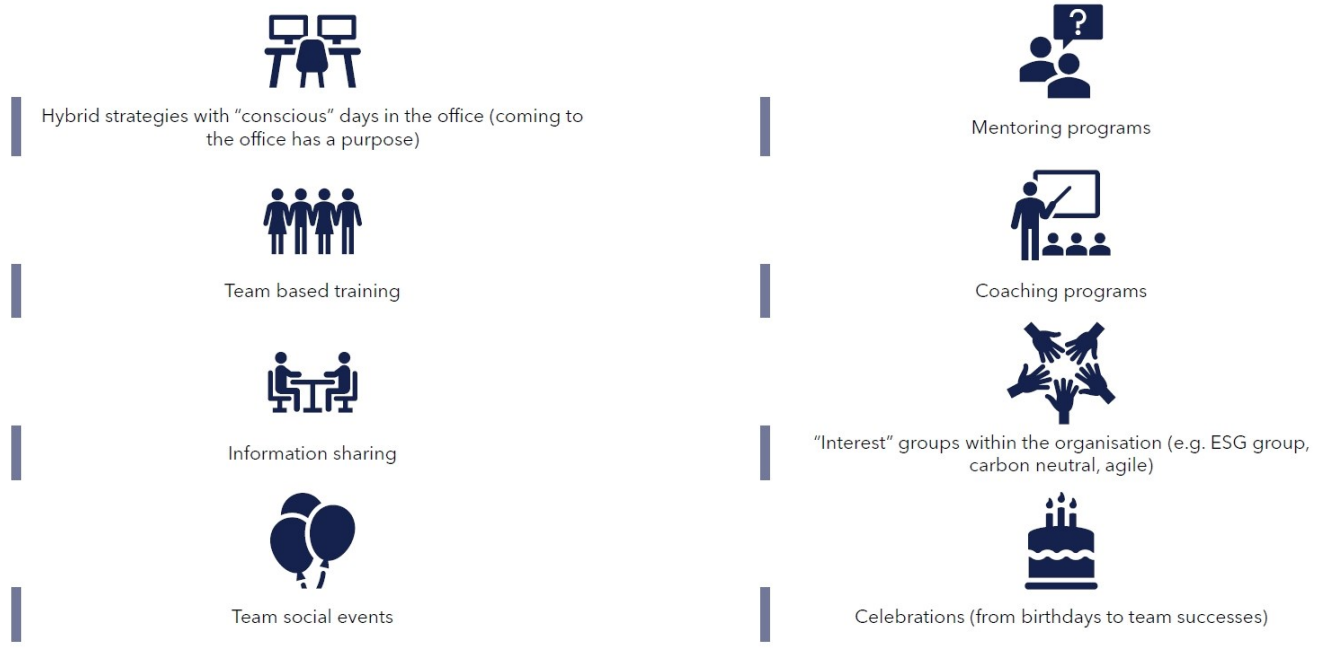
As humans we tend to feel better when we enjoy the company of those around us

If we feel connected to people in our team then...



Team Learning Strategies

Interpersonal strategies are plentiful, but include...



Clear learning opportunities and training make people happier and more likely to stay



Meaning matters to employees

Most important factors when considering a change in work environment, % of respondents¹



¹ Respondents who selected extremely or very important.
Source: PwC's 2022 Global Workforce Hopes and Fears Survey of 52,195 workers across 44 countries and territories

Building Staff Resilience

All of this is reflected in Seligman's "master resilience training" which focuses on 3 elements

- Martin Seligman is, to many, the founder of the positive psychology movement
- He has recently been turning his mind to resilience training

01	Building mental toughness especially	<ul style="list-style-type: none">• Reframing, sense of humour and a plan• Albert Ellis developed an ABCD model for reframing so that the underlying assumption/interpretation on the situation/event is assessed (check out Reivich and Shatte, 2002)
02	Signature strengths	<ul style="list-style-type: none">• We can use our signature strengths to cope - we can better deploy them if consciously aware of them• We can build on our strengths through the "stress and rest" pattern
03	Strong relationships	<ul style="list-style-type: none">• We feel stronger when "someone has our back"• We process stress better if we have someone to talk to

Signature Strengths are classified by Seligman under the following key headings and some (not all) of the key "strengths" are noted for each of these headings:

Wisdom And Knowledge

- Curiosity, Judgement, Perspective and Love of Learning

Courage

- Perseverance, Honesty, Zest and Positivity

Humanity

- Kindness, Empathy, Effective Communication, and strong Social Bonding skills

Justice

- Teamwork, Fairness and Leadership

Temperance

- Forgiveness, Humility and Prudence

Transcendence

- Appreciation, Gratitude and Humour

Improve Staff Onboarding

All too often the onboarding process (or lack thereof) can taint the overall employee experience within the organisation, as this is the frame through which an employee sees the organisation

- Previously we spoke about Noise in the job that can irritate staff, but what about onboarding?



Limited training given for a role



Computer / equipment doesn't come for days / weeks



Systems and software are not set up with the right access



Security passes and building access takes weeks



Arrive on site and no one knows who they are



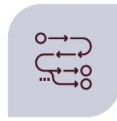
Obvious problems with core tasks / process that aren't being addressed

Strong Leadership to Build Business Resilience

Leaders have a role beyond communication in resilience, sometimes “yesterday’s style” does not match today’s challenges



Without leadership semi-autonomous teams will become “disconnected”



Leaders ensure seamless technologies for communication and information flow



They lead scenario planning for “normal” and “extreme” conditions



They ensure appropriate empowerment and devolution of responsibility (but not a free for all)



They avoid unnecessary fragility by ensuring that processes are properly resourced



They are open in communications



They ensure clear roles and accountabilities



They encourage and enable learning

Summary

The key points from this article that business operators need to consider making for positive changes to workforce practices are as follows:

- **Show the team you have a well thought out and effective strategic plan for the business and current operating environment;**
- **Stay connected to the company’s purpose;**
- **Create social connection through work;**
- **Make sure your work roles are attractive and not “noisy” (i.e., *have clumsy work processes that are disjointed, and under-resourced*);**
- **Seek to use automation where possible to make your operating model more sustainable;**
- **Offer training and learning opportunities to your staff;**
- **Encourage the right basic behaviours for work (exercise, rest and renew) and help your people to effectively reframe their stressors;**
- **Make sure new staff can be onboarded without any headaches i.e. have a seamless & effective process;**
- **Have strong, regular and supportive communication updates from business leaders i.e. “*we are in this together....and will get through the current adversities by.....*”**

It is important to note that not all stress is bad

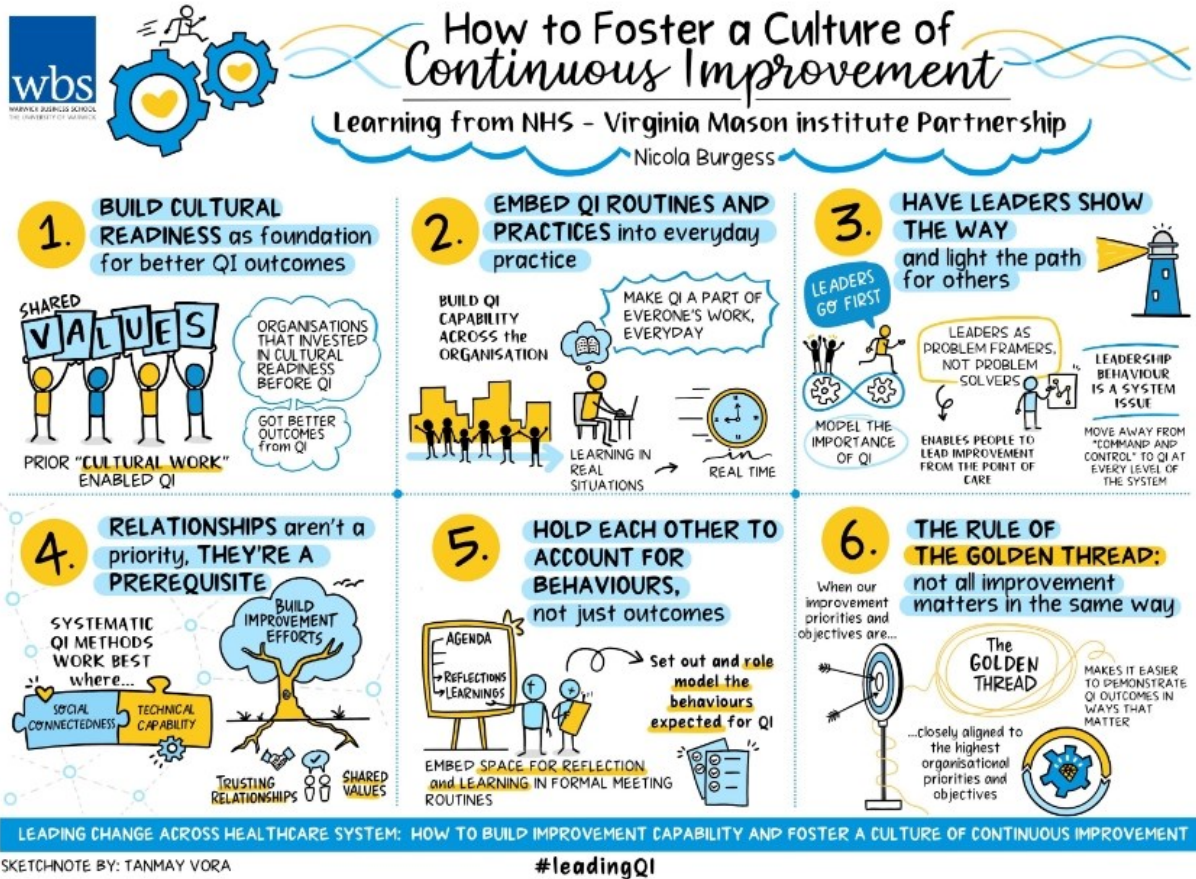
- **Good stress** has been associated with **a lift in job performance** and engagement. Good stress is essentially the feeling of excitement that allows you to perform at an enhanced peak
- Even bad stress has been associated with increases in performance, but it also has a close association with burn-out - which is a plummeting of performance as a consequence of long-term grinding demands (found in the Global Corporate Challenge study over a 12-year period)

Additional Resources

For those seeking some additional information on this important area within their business, please refer to the list of possible resources we have compiled for you below:

- **“When Strategy Meets Purpose”** an article from the Strategic Finance magazine, November 2022, is accessible [HERE](#).
- **“Managing Absenteeism – Factsheet”** from Employsure, is accessible [HERE](#).
- **“Building A Team to Lead in A Crisis: Four Key Steps”** from Wharton University 2022 is accessible [HERE](#).
- **“Six Key Lessons from The NHS And Virginia Mason Institute Partnership”** Nicola Burgess – Warwick Business School, UK, October 2022 can be accessed [HERE](#). A diagram from that article – **“How to Foster a Culture of Continuous Improvement”** is shown on the next page. It summarises the six steps used in the NHS improvement process and is relevant to all business transformations.
- **“Ten Best Methods for Improving Accountability”** Growth Faculty Whitepaper, 2023 – [HERE](#).

The “People” Side of Business Improvement



Source: “Six Key Lessons from The NHS And Virginia Mason Institute Partnership” Nicola Burgess – Warwick Business School, UK, October 2022

“Noise” in the Workplace

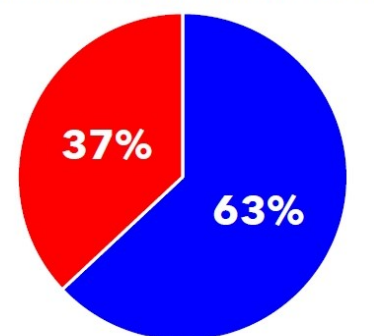
Unsustainable jobs are also associated with inefficiency, poor timeliness and customer irritation

Staff are more inclined to leave when processes are clumsy, we call this “Noise”.

The problem with Noise



Australia's benchmark for “Noise”



■ Value Add ■ Noise (non-value add)

Smart organisations

- Reduce Noise as a priority, and then;
- Engage in continuous improvement

Source: Bevington Group, Australia – “A Guide to Enhancing Workforce Resilience.” December 2022



A recent legal case in the UK (*BTI 2014 LLC v Sequana SA and others [2022]*), that is pertinent to Australian business, highlighted the need for all business directors to always consider their ability to pay their suppliers on time, whilst conducting the business and when paying dividends/distributions to their shareholders/beneficiaries or unitholders.

Before this decision, there was some uncertainty as to whether the directors of a solvent company owed any duties to creditors rather than solely to the company itself and its shareholders. This decision has provided much-needed clarity — especially at a time of global economic uncertainty and an expected increase in insolvent Australian companies.

One implication of this case may be that creditors who are not paid in full through the liquidation of the insolvent business, may be able to pierce the corporate veil and directly sue directors for their loss. It is also important to note that the closer a company is to insolvency, the greater the weight that must be accorded by directors to the interests of creditors.

When creditor duty is engaged on the facts of this case, ***the court held that the creditor duty was not engaged because the company was neither insolvent nor anywhere near insolvent at the time*** a dividend was paid. However, the more significant principle of law which emerged from the judgement is that in the view of the majority, the creditor duty is enlivened where there is:

- Either imminent insolvency (i.e., an insolvency which directors know or ought to know is just around the corner and going to happen) or the probability of an insolvent liquidation (or administration) about which the directors know or ought to know.
- In the Australian context, it must be noted that under s 95A of the Corporations Act 2001, ***the primary solvency test is based on cash flow, not balance sheet solvency***. That is, a company which cannot pay its debts as and when they fall due is insolvent.

Practical Takeaways

- **Directors should always ensure that they are on top of their company's financial health**, as this will have a material impact on the weight to be accorded to creditors' interests. The greater the company's financial difficulty, the more important the interests of creditors become. A failure by directors to keep themselves informed of the company's financial status may well itself be a breach of directors' duties.
- **As a matter of good practice, make sure to be cautious and take creditor interests into account when making decisions.** The fact-based nature of the inquiry means that a court may be more inclined to absolve a director who has directed their mind to the interest of creditors — even when the director does not suspect insolvency.
- **Directors should document the steps taken to evaluate the creditors' interests** and how their decision took such interests into account. Directors when dealing with these issues, may consider engaging collaboratively with their accountants for advice on solvency and with their legal representatives, in creating appropriately worded documentation.
- **Check that any Directors & Officers insurance policy is up-to-date and fit-for-purpose**, as it may not provide coverage for breach of the creditor duty.

Good leadership can be difficult for many business owners, however it can also be enormously rewarding.

Research proves leadership can be learned, so having some specified leadership qualities to implement and practice, will see that you attract more of the top people, enjoy work more, solve more problems, and win a bigger slice of the customer pie.

"At the end of the day, people want to be led by those they respect, who have a clear vision and direction for the business."
- Collingwood Search UK

All leaders have strengths and weaknesses. It's not about being perfect, it's about playing to your strengths and developing more leadership qualities to empower others. Good leadership is about being a better you; the better leader you are, the better your team will be too.

Ten Good Leadership Habits to Have

A whitepaper compiled by the Growth Faculty provides some good reference material for business leaders, as guidance for what traits are useful for being a better leader in your business. Those key traits or habits are as follows:

- 1 Be a good role-model.
- 2 Develop leadership skills weekly with a Leadership Pass.
- 3 Lift your digital competency from good to excellent.
- 4 Read more. Be curious. Keep learning.
- 5 Be positive and optimistic.
- 6 Keep your team informed.
- 7 Get to know your team and love their differences.
- 8 Help them develop as people and leaders.
- 9 Practise self-care. Don't be afraid to delegate.
- 10 Share your vision and celebrate results.

MANAGEMENT vs LEADERSHIP



Management and leadership are not mutually exclusive, but management is seen as concerned with 'small picture' things and leadership 'big picture' things. Author of *Leading at The Speed of Trust* and *The 7 Habits of Highly Effective People* Stephen R. Covey explains:

"Managers are busy cutting the undergrowth of the jungle. It's the leader who climbs the tallest tree, surveys the situation and yells down 'Wrong jungle!'"

Additional Resource

To get a copy of the full Growth faculty Whitepaper – “10 Leadership Qualities to Help Solve Challenges in 2023” please click on the link [HERE](#).

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