

PEOPLE FOR GROWTH

VIEWPOINT

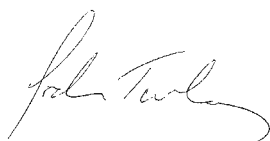
Making the most of a valuable asset

When we ask business owners what's important about their business, they often tell us 'culture' – it's what keeps the business going and, in many cases, the idea of losing the culture is what puts the brakes on selling the business. While the business owner is important for establishing the culture, it is sustained and developed by people who share the vision and are passionate about seeing the business succeed.

One of the most interesting findings of the ANZ Privately-Owned Business Barometer 2011 was the increased concern about staffing. This isn't surprising. As businesses shift from survival to growth mode, many business owners are increasing their focus on the people in their business. The right people in the right roles are one of the most valuable assets that a business has, so attracting and retaining people is vital to business success.

In this issue of Viewpoint we look at three aspects of people – staff, advisers and management. Each has an important role to play in your business. Considering all three

together can help you form a complete 'people plan' that ensures you have the skills, experience and personalities needed for growth and success.



Graham Turley
Managing Director, Commercial & Agri

People and Privately-Owned Businesses

The Privately-Owned Business Barometer surveys commercial and agricultural business owners. The 2011 results had some revealing insights about staff, advisers and management.

Staff

- > Lack of skilled staff ranked equal third in the constraints to achieving growth
- > 37% of respondents were concerned about the availability of people/skills, making this the second highest issue of concern

Advisers

- > 57% of respondents used an external adviser in the past 12 months
- > 23% had a formal board and half found the board 'very beneficial'
- > 35% used a mentor and 48% found the mentor 'very beneficial'

Management

- > 44% would consider selling their business to management
- > 48% think management are capable of taking over
- > 32% think management are interested in taking over
- > 13% think management can afford to take over

Inside

- > Tips on how to attract and retain the right people for your business
- > The benefit of an independent perspective
- > Management and the bank's decision-making
- > Staffing tips from business owners





STAFF

Find them, keep them

Issues of retention and attraction are important for all organisations, regardless of size. Throwing money at the problem is not the solution.



By Felicity Evans
GM of Human Resources, ANZ

With some research estimating that replacing an employee can cost the equivalent of the role's annual salary (not including the actual salary they earn), there's a strong financial incentive to find and keep the right people. This applies to any business that has grown to the stage where it relies on staff for key management inputs, and includes commercial businesses, larger farms and farming equity partnerships.

In order to keep people, it's important to understand what makes them stay, and what's likely to make them leave.

It is an old adage that people join organisations and leave managers. When asked what they like best about their work, most people will answer 'the people I work with'.

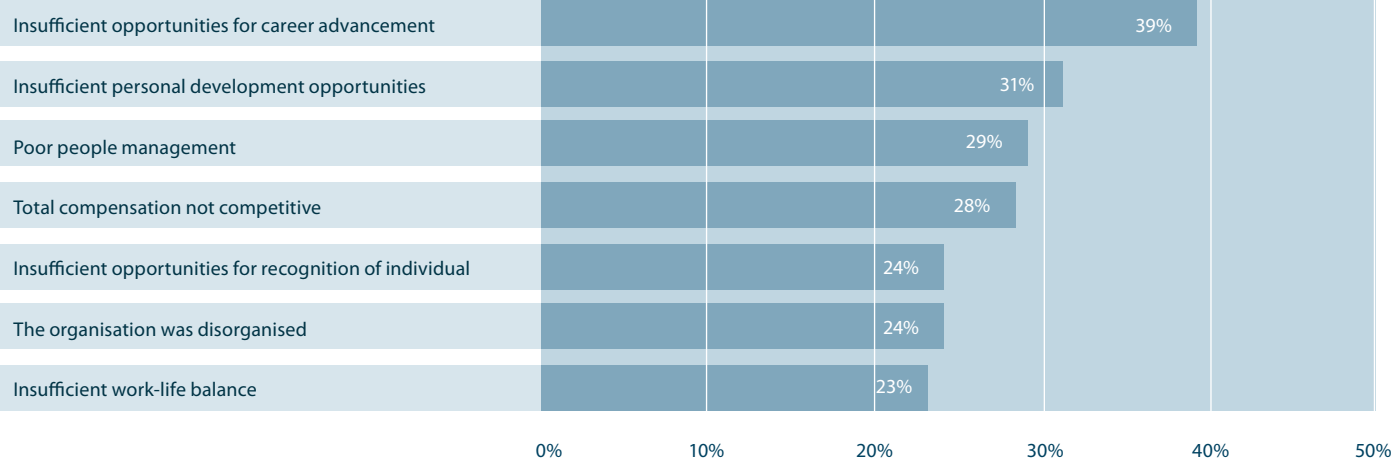
The chart below shows the main reasons people leave an employer. It's clear that management and career opportunities are the key drivers and play a much more significant role than salary.

As long as salaries are competitive within the industry and region, employees can be attracted and retained in a range of non-financial ways.

Having a defined strategy for retaining staff has the added advantage of helping to attract staff to your business. It gives you a differentiator from other employers and can help to 'sell' the opportunity to candidates.

I've outlined some strategies that any sized business can employ to help attract and retain staff.

Reasons for leaving an organisation



Source: Corporate Leadership Council, Employment Value Proposition Survey, 2006.



Felicity's eight tips for becoming an employer of choice

1. Ensure that all managers are effective people leaders. Managers can improve their team retention by:

- > **Taking a genuine interest in their staff as individuals.** They should get to know their people, their aspirations and what is important to them.
- > **Managing the poor performance of others.** Poor performers drag everyone else down and create frustration within teams.
- > **Giving their staff the autonomy to make decisions and have control over their work.** Staff will feel more respected, trusted and invested in the work they are doing.

2. Offer non-salaried benefits. Talk to your staff, ask them what is important to them and why they stay with you. They will offer the best insights about what does and doesn't work. Some of the benefits may include:

- > **Flexibility** – flexible working hours, part-time or job-share options, working from home, additional leave or time in lieu.
- > **Staff benefits** – consider what benefits your suppliers or customers may be able to offer your staff. This may be health

insurance, discounted gym membership, subsidised car parking, a mobile phone or discounted banking benefits. Many companies offer group packages to businesses with a certain number of employees and these can be a great incentive to attract and retain staff.

3. Share your company's future direction.

Make sure your people understand your company's vision and how they can help achieve this. Do they understand what success looks like? Ensure they understand the full process from sales, manufacturing, distribution; what impact their role has and how it contributes to the overall goals.

4. Train your staff to do their job well.

Make sure there is a plan in place and they understand how and when they will be up-skilled. This is important when they start and on an ongoing basis. If possible, provide a career pathway. Is there progression or an opportunity to learn new skills? Swap staff with business partners, customers or suppliers. Support ongoing study, if not financially then by providing time or flexibility. Get involved with your relevant Industry Training Organisation to enable staff to acquire qualifications. Make sure the training is relevant to their current jobs and/or future career.

5. Recognise staff contribution and a job well done. A simple 'thank you' can make a big difference, a card or note means a lot, a gift that has personal meaning for them will be long remembered and appreciated.

6. Remove obstacles to doing the job. Ensure your staff have the right equipment, skills, and enough people to get the job done. Make sure they are not working with broken tools or outdated methods. Ensure the job can be done safely and effectively.

7. Identify the skills you need to hire and what you can train for. A common mistake made by employers is thinking the ideal candidate is the one that already has all of the skills needed to do the job. In reality, most candidates will require some degree of training, even if it's just on the company's processes or procedures. Identify what training you are willing to provide to the candidate who is the right fit with the team and who has the ability to grow into the role within a reasonable period of time.

8. Be realistic about what the role requires. Give potential staff a realistic job preview so they can self-select on whether or not to work for you. High staff turnover in the first 90 days can be due to staff not fitting in or not suiting the work that needs to be done.

ADVISERS

The benefit of an independent perspective

We consistently hear from business owners who have brought in an independent adviser and experience significant benefits as a result. We asked three independent directors about their experiences both as business owners and advisers.



Bert Govan

Bert is a founding director and shareholder of the Southern Finance Group of Companies, operating in both the consumer and invoice finance markets.

He is also an independent director for a number of companies across a range of industry sectors.

What's been your most rewarding experience as an adviser?

Mentoring a business owner to step outside his normal comfort zone, empower his managers, grow in confidence and finish up working 'on' his business rather than 'in' it.

Most common mistake business owners make with their adviser?

Only telling their adviser part of the story and/ or leaving consultation on critical issues too late.

As a business owner, what's the most valuable advice you ever received?

Compartmentalise your problems and don't sweat the small stuff.

It's easy to fall into the trap of becoming totally immobilised by the major obstacles that inevitably occur in business. Problems can't be ignored but equally, they can't be allowed to dominate our thought processes and attitudes. Put the problem in a box with a plan to address it, visit it as necessary but get on with other positive initiatives to inspire your team and grow your business.

What can business owners do to get the most out of their adviser relationship?

Ensure their trusted adviser is totally familiar with the Business Plan and the SWOT analysis components around it.

If you had to give other business owners one tip, what would it be?

Play to your strengths and employ to your weaknesses. Identify key people who have the skill sets you don't have or can perform the tasks you don't enjoy, and don't feel threatened by the notion of employing people better than you in key areas. Harness their skills and reap the benefits.



Don Jaime

Don is an Executive Search and Management Consultancy practitioner with more than fifteen years experience in the sector.

Don is also a director of several private companies and community organisations.

What's been your most rewarding experience as an adviser?

As a director of Seqel Partners, our most rewarding experience is seeing the transformation Chief Executives that we have appointed can achieve in our client organisations.

Most common mistake business owners make with their adviser?

At Seqel we work with a range of corporate and large private companies. In our observation, the most common mistake made by clients is not seeking truly independent advice – seeking advisers who will ask the hard questions and confront the brutal facts.

Advisers who are friends of the owner or other board members will generally be reluctant to overtly challenge the views of an owner.

A related issue is that business owners will not get senior experienced advice. Owners should seek out people who have 'done it all before' on a much larger scale than their own organisations.

What can business owners do to get the most out of their adviser relationship?

In our observation, advisers provide the best advice when they are deeply and strategically involved in all aspects of the organisation – with the Board, the Executive and Management. A meaningful and trusted relationship with a senior business confidant can not be overrated. Above all else – LISTEN to those people that you have involved and be prepared to make and follow through with the tough decisions.

As a business owner, what's the most valuable advice you ever received?

As a director of Seqel Partners, we have had the luxury of access to truly capable Board members who keep us grounded, and lift you up to 'look at the real issues and impediments' to continued successful growth.

If you had to give other business owners one tip, what would it be?

Get truly high calibre, independent thinkers who have large scale experience as Chief Executives or Chief Financial Officers involved in your organisation - at Board or Advisory Board level. Recruit people who are much better and more experienced than you and don't be limited by the views of the people in your immediate sphere.



Jeff Barkwill

Jeff Barkwill is a Fellow of the Institute of Chartered Accountants and a member of the Institute of Directors.

He is chairman/independent director on several boards, primarily in the health and manufacturing sectors.

What's been your most rewarding experience as an adviser?

Facilitating the development of and then helping implement a strategic plan that added significant value to the company.

Most common mistake business owners make with their adviser?

The adviser model is not the optimum model in my view. It is much better to get the governance of the company right, with the right balance of directors between independents and executives/owners. There is much better accountability through a proper board structure than through a mentoring or adviser structure in my experience.

What can business owners do to get the most out of their adviser relationship?

Get it working through a proper board structure.

If you had to give other business owners one tip, what would it be?

Start at the top:

- > Get the board structure right.
- > Go through a proper facilitated strategic planning process with input from all stakeholders.
- > Then make sure you have a management structure and people who can deliver to the plan.



Ross Polson

Ross Polson has been an adviser with the Lauriston Farm Improvement Club (LFIC) for more than 20 years, assisting farmers in the Canterbury region.

The adviser service is based on the full farm approach, covering all aspects of running a farm business.

What's been your most rewarding experience as an adviser?

It is always rewarding seeing people set a plan, modify it along the way and achieve largely what they set out to do. These goals are usually holistic and cover financial and personal aims. These can include long term development plans or business succession and short term plans such as asset acquisitions and associated development.

It is especially satisfying when you see people achieve when the "odds are stacked against them" either with occurrence of family tragedy or starting with minimal resources (or both). To succeed in these circumstances requires lateral thinking, persistence, determination, self belief and personal sacrifice.

The most common mistake business owners make with their advisers?

Obviously productivity and efficient use of resources are paramount to any business, as without short-term profitability, medium and long-term aims are compromised.

However, if the owners and advisers continuously spend all their time and energies concentrating just on short term productivity then the other levels of the business suffer.

Innovation and development needs to happen not just with short-term productivity but also with medium and long-term projects that the business should be scrutinising and assessing on a continuous basis. Only a few of these projects will be adopted but the research still needs to be done.

What can business owners do to get the most out of the adviser relationship?

Long term advisers and their clients, often know and trust each other implicitly and are able to look and discuss the business at all levels.

Productivity, innovation and development/succession projects are continuously discussed and these discussions are able to be held where all parties have full "freedom of speech". No personal agendas, no egos and no point scoring.

These circumstances are reasonably unique and usually only occur with long term clients.

As a business owner, what's the most valuable advice you have received?

The best bit of advice came via my first job on leaving Lincoln College, being employed with the Rural Bank assessing farm loans. Loans were assessed using three criteria:

1. Loan security and quality of the security.
2. Payability - assessing the ability and risk of the business to service the loan.
3. Personal factor – rating the ability of the farmer to manage all levels of the business.

My immediate supervisor always talked about the importance of the personal factor in any loan assessment and it soon became evident that the personal factor was a large part of the farm business success.

Without a doubt the key to all businesses, regardless of size and type, is the quality of the people that run the business.

There are many attributes to running a successful business but it always seems to come back to "it's all about the people."

If you had to give other business owners one tip, what would it be?

While it is great that people enjoy their chosen vocation, it is essential that the enjoyment factor is mixed with a few other qualities, such as a desire and passion to make the business into an entity that can survive, grow and prosper in the medium and longer term.

The vocation should be the consequence of the business type chosen rather than the other way around.

Without the desire and passion to build a business, businesses will become no more than a self employment job.



MANAGEMENT

Bound for leadership

Business owners looking for the next generation of managers can benefit from unlocking the leadership abilities from within their existing team. Courses such as the Outward Bound Navigator course can help fast-track the process.

When Taranaki-based accounting practice Busing Russell wanted to help talented young accountant Shaun Quigley become a team leader, his manager Jamie Sutherland drew on his own experience with Outward Bound to find a solution.

After attending the Outward Bound Navigator course, Shaun found he had a new perspective on life and on his work. "I changed my approach, I had more energy and more drive. The main thing was that I trusted myself to take action; to just do it. Now an Associate, Shaun leads the firm's farm accounting team and is being groomed to become a partner eventually, a career path he is enthusiastically committed to.

The eight-day Navigator Leadership Programme is one of Outward Bound's professional development courses that have been attended by more than 1,100 people in the past 10 years.

"There are key points of difference with the Outward Bound leadership approach", says Marketing Manager Ian Rogers, who recently

completed the Navigator course himself. "It is experience based, it is challenging, but most of all it is memorable and the learning experiences are embedded."

Throughout the course, individuals participate in a range of challenges, both within the training room and outdoors. Thinking independently but acting as a team are crucial for success, and each group develops the kind of working relationships that many businesses strive to achieve. "From a team-building and challenge point of view, engaging as a group in meaningful tasks has far more impact than any isolated afternoon or experience can generate", said Ian.

A key focus of the course is physical health and well-being, which can often be overlooked but which can make a real difference to an employee's productivity (and therefore a company's profitability).

ANZ Commercial Credit Manager, Louise Egerton was selected by her manager to attend the Navigator Leadership course in 2002. She says "The course was a real

eye-opener into what you can achieve as an individual as well as through team work and leadership. The programme includes a significant amount of feedback from fellow participants which gave me a real understanding of my own leadership style and has helped me define my career path."

Jamie Sutherland has no hesitation in recommending the Outward Bound Navigator course to people looking to increase their confidence and their leadership skills. "We've sent staff on other management courses but we haven't seen the same results as what we've seen from people who attended the Outward Bound Navigator course. Taking people out of their comfort zone shows them what they are capable of and gives them confidence to take on challenges in their career, which is an important leadership skill."

2012 will see the 50th Anniversary of Outward Bound, celebrating nearly 54,000 kiwis who have attended an Outward Bound course.

MANAGEMENT

How understanding your management and culture affects our decision-making

Imagine this. You have an appointment with your ANZ Relationship Manager. You want to borrow some money. The first question they ask you is 'Why are you in business?', followed by 'Tell me how you run the various aspects of your business?', then 'Who runs the business when you're not here?'



You may wonder why the bank would be interested in your business aspirations, management style and your management team. As Colin Armstrong, Head of Commercial Credit explains,

when considering the likelihood of future financial success of a business, the people at the helm and their motivations are the most important business 'assets'. This applies equally to businesses across the whole spectrum of Commercial & Agriculture.

"In the past 40 years as a banker, I've seen one or two consistent success themes. A poor operator can stuff up even a great business. A very good operator can make any business better... and better again.

"Very good operators tend to be people who recognise their own strengths and surround themselves with a capable team that complements these strengths, and fills in the knowledge and expertise 'gaps'. Good operators also have passion.

"When assessing the ability of a business owner, we start with the obvious and essential facts: historical evidence – financials obviously, but we are also looking at other factors like governance.

"We look at how their business fared in the past compared to others in their region or sector. This isn't just about turnover. We need to understand how they managed their margins and costs, and more importantly, how they have maximised profits and controlled cash. Also important is their ability to adapt to the changes in the economic environment, their sector, and their particular circumstances. We all know there have been plenty of these challenges in the past few years.

"We need to understand the senior management expertise in the business. Who can step into the owners' shoes for whatever reasons? What are these people's skills and commitment and how can the owner hold onto them?

As well as understanding **what** the business owners do, we also want to understand **why** they are doing what they do. Among a wide

range of personal goals, we are keen to hear a focus on profitability, cash management, and "passion" for their business. When times are tough and profits are low (or non-existent), it's passion that will help make a difference.

UNDERSTANDING THE COMPANY'S CULTURE, THE 'GLUE' THAT KEEPS A STRONG TEAM TOGETHER ESPECIALLY IN TOUGH TIMES, IS VERY IMPORTANT.

Aside from the very important financial and product information, we ask all these questions because, no matter what sort of business you own and operate, the people, and how they work together, are very important.

Without a doubt, successful businesses have a strong vein of passion for well being and growth running through them. Call this 'culture', 'ethos', 'the way we do things' ... whatever – these combined passion and people factors are significant business success ingredients".

In summary

Like most other aspects, the people component of privately-owned businesses is unique to each business. It is more important to its success than the sector the business operates in and we see similar needs across the spectrum of commercial and agricultural businesses. Owners need to identify what the people needs are for their business and how they can maximise the people asset within their business to unlock growth.

Questions to consider include:

- > If I was looking for a new job, would I want to work for my business? What would make me choose a job with my company?
- > What do I need from my team, my managers and my advisers now?
- > Do my people have the skills, experience and passion to do the role they are assigned? What do they need to do their job better?
- > Am I making the most of my people's skills? Could I be using them more effectively?
- > Do my staff, my management team and my advisers understand my long-term plans? What can I do to bring them along on the journey?
- > And what about my role – where do I add the most value? Where do I add the least value and what do I least enjoy doing?

MANAGEMENT

Tips from the trenches

Customers share their tips on people management



Bryan Goldsack,
Managing Director,
Damar Industries

It's never just about the money. My experience is that people enjoy buying into our business story: where we've come from and where we are going. Providing that sense of involvement and achievement is important.

It's equally about creating an environment where the chemistry works across all levels within the Damar organisation. We offer the opportunity to work within a highly diversified business with great products, strong leadership and bright, motivated colleagues. People feel involved, that their contributions are both welcome and appreciated and they enjoy a culture where the environment is real, they're constantly challenged but at the same time they get to laugh a little.



Bill Day,
Chairman,
Seaworks

If you want good people you have to treat them really well. Typically they will not treat your customers better than you treat them. Give them as good a work environment as possible. Don't stint on cheap stuff like offices, furniture, computers, etc. Let great people be responsible and make the big decisions. If you make all the calls they will leave for

where they can use their skills. Finally you have to actually care for your people at a deeply personal level. Like any other relationship, it is all about loving people!



Brent Albiston,
Managing Director,
Radiola Aerospace

There is a world shortage in aeronautical engineers, especially flight inspectors, so we have to train our own. There is a four-year lead time on that but once they're trained they stay with the company because we send them on interesting projects all over the world.



Pam Roa,
Director, Longveld
Engineering

Longveld has addressed skill shortages by being philosophically committed to training and through a culture that welcomes and encourages diversity. Thirty percent of our team are international migrants. Communication issues arising from this have been dealt with using literacy and numeracy training, which has had the happy side-effect of assisting around 25 percent of our tradespeople who have battled learning difficulties, such as dyslexia, all their lives. This training has led to an in-house communications diploma for staff who needed to improve their communications skills before moving into leadership roles.

We have also introduced a Women in Welding programme. This simultaneously tackles skills shortages and the lack of women in the trades, and has successfully added four female production welders to our team this year.



Graeme Dobson,
Director,
SuperShuttle

Everyone wants to feel valued and empowered/ purposeful within the team – remuneration is only part of the “reward” staff are seeking.

We support our staff at work and beyond the workplace which, combined with the expectation of professionalism and personal discipline, builds trust, loyalty, mutual accountability and commitment. We “give” in many different ways to our staff but it is clear and understood that it is a two-way street and that we expect reciprocation and respect for this support in the form of performance, flexibility and dedication to our business cause.

Some of the key components of our employment ethos include flexibility of work hours or place through IP technology installed at home; adding value to their skill sets through internal and external training; cross-training to maintain minimum staffing levels from within the workforce and provide variety for individuals; providing advice, support and assistance in their personal lives including reasonable and justified pay advances; and recognising key tenure milestones.

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