

A Primary Key for Sustained Business Success



**Why greater 'sense and respond' ability
is essential to thrive in business**

© Copyright Bay Jordan and Zealise

All rights reserved.

You are invited - and even welcome - to share and disseminate this document to any of your friends and colleagues or anyone you think might be interested. However, you may do so only if you distribute it in its entirety and you acknowledge the author and his copyright and ensure the recipient is made aware of these conditions and will impose similar conditions in similar circumstances. Likewise, you should give the appropriate recognition and acknowledgement to the author if you decide to use any of the content yourself.

A Primary Key for Sustained Business Success

**Why greater 'sense and
respond' ability is essential to
thrive in business**

**Bay Jordan
Managing Director
Zealise Ltd**



www.zealise.com
blog.zealise.com

Executive Summary

The 2008 economic crash size has created unprecedented fears for investors. The scale, and the size and longevity of some of the high-profile corporate failures, suggests that no investment is safe. Of course there is always a risk associated with business, but the difference here was the speed with which these companies collapsed. Usually the signs are there well before the last fluttering breath, but here companies failed or appeared to fail overnight. This has inevitably raised questions but, no matter what the answers, you will now find you are required to take steps to ensure that such surprises are avoided in future.

The fact is that the portents of danger are always there and the failure to pick up on them is either the result of:

- Poor intelligence - the inability to read the warning signs; or
- Over-confidence - the conviction that you are placed to overcome them.

Investors will now be re-emphasising your responsibility to make sure that these failures do not occur.

To meet this demand and ensure that you are not held accountable for your business failing you need to:

1. Improve your business intelligence gathering in order to create heightened awareness of, and greater sensitivity, factors that shape trading conditions; and
2. Implement the processes, communication systems and disciplines to ensure that these signs are acted upon; and
3. Ensure your people are sufficiently engaged to optimally respond to the situational demands.

Of course, if you do not ensure point 3, the first two points have considerably less value, and, on their own, will not safeguard your survival.

There are 5 basic steps for improving your business intelligence, which involve moving away from the exclusive "information in tables" that currently prevails, and - in gambling parlance - making better use of the information "left on the table." Spelled out in more detail later these are:

- Identifying account movements
- Tracking account movements
- Monitoring and reconciling by transaction type
- Creating hierarchical dashboard capabilities
- Improving and integrating your trend analysis, budgeting and forecasting.

These will pay for themselves in the benefits they deliver and also render individual work more interesting by removing much of the drudgery, thus in themselves helping to improve employee engagement. However they are not all that you need to do to better engage your people, and you need to focus specifically on making the best use of your people if you want to build on this and the other 4 capabilities - customer experience, retention, innovation and productivity - that are all in any case inter-connected and that combine to build the platform you need for your long term, sustained success.

The Zealise Assessment Programme will help you with this. It builds on the corollary that any shortcomings in these capabilities are de facto evidence of existing employee engagement problems and thus provides you with a mechanism to very quickly assess their scale and identify what action you need to take to redress them. It offers you an extremely cost effective way to stop haemorrhaging the costs associated with poor employee engagement, short-term bottom line gains, and a second-to-none means of addressing the problem to reduce the threats against your sustained success.

CONTACT US

Contact us now to find out more about how we can help you.

Telephone: +44 (0) 1254 727652

Email: info@zealise.com

Website: www.zealise.com

Lessons from 2008

Whatever lessons there are to be learned from the economic crash of 2008, you can be sure that one consequence for you as a business leader will be the demand to better protect investors. High profile failures meant that size and longevity, two factors that might previously have protected companies from collapse, counted for nothing. This terrifies investors, for it says there is now no such thing as a safe investment. So they will be looking to you to eliminate or minimise any possibility of nasty surprises or such disastrous, unheralded failure.

The brutal truth is that, except in cases of unheralded disaster, management can never be totally exonerated from blame in the event of sudden business failure, because it means management either:

1. Was out of touch with what was going on; and/or
2. Titanic-like, ignored the warning signs.

In both instances there is a prima facie case for not properly fulfilling their fiduciary responsibility to safeguard investor interests.

In a climate of greater risk, with concomitant greater fear, this means the onus is very much on you to instil heightened awareness and ensure that, when the signs are there, appropriate action is taken; thus you have to both "sense" and "respond".

Make proper use of your business intelligence

The thing is, these signs are all already there. This could be referred to as knowledge that is left on the table - the wasted, unutilised resource. Your challenge is to identify this and ensure that you enhance the capability of your people to recognise it. Perhaps an example will help you to understand.

In the early nineties, I was working as financial controller for a premier Canadian financial services company. The company had recently started making losses, which were the first in its ninety year history. What was particularly significant was that these losses had taken management completely by surprise. In the face of these losses I was accountable for preparing the next year's budget, and still expected to deliver a budget that showed growth, despite the adverse trading conditions. When, unsurprisingly, my first budget did not meet management expectations, I felt it was incumbent upon me to 'prove' the validity of my numbers. I did this by creating a model that traced the residual earnings of new business for the past 3 years - something that had never been done before. This demonstrated that the number had fallen from more than \$20 million three years earlier to only \$500K for the forthcoming year.

That information was there all along, but no-one had had sufficient understanding or sense of their business to identify or use it. In fact even when I did present it, it was not accepted and the messenger was duly 'shot.' So, in this case senior management not only failed the 'sense' test, but they also failed the 'respond' test. I hope you would be smarter than that, but the key question you need to ask yourself here, now, is, "What similar opportunities am I missing right now?"

Make best use of your people

I will come back to how you can go about this later, but for the moment I want make the point that the effective application of intelligence depends on people.

Having the knowledge does not guarantee either:

- The ability to use it; or
- The correct action will be taken. (Once again the Titanic provides a classic example.)

Thus, in addition to 'sense', you have to have 'respond-ability'.

This is also multi-dimensional as it calls for the person to have:

- The basic understanding/training to use that knowledge;
- The resources to enable its effective application; and
- The 'motivation' to respond to the best of their ability.

These are all interconnected, and the first two will be of limited value without the third, for they provide no guarantee that the individual will do so to the best of their ability. How often have you been frustrated by bureaucracy and an adherence to rules that appear to be totally beyond the bounds of common sense? Or the observation "That's not my job and the person whose job it is not available?" Are you sure these things aren't happening to your customers in your business?

For me, hiding behind rules is the first symptom of disengaged employees. They are either disinterested in what they do, or more fearful about the consequences of making a mistake than doing what is best for the business? Either way they are not living up to their own potential and nor are they helping the business fulfil its potential. Attitudes are contagious, and if your people are disinterested you cannot expect your customers or stakeholders to be. Attitudes are always a direct reflection on management, and seen as such.

So if your people are disengaged your chances of sustained success are actually quite slim, because you will lose out to your competitors who 'get it' and engage their people. People who are engaged are interested enough to gain knowledge from all sources, conventional and unconventional, and care enough - about the business and their colleagues - to apply it intelligently.

You have to care to be aware, and all the knowledge in the world is meaningless, if your people do not care enough to be vigilant, and to identify - as they arise - the occasions to apply it intelligently.

Building a Sense & Respond Culture

Hopefully you now understand the significance and the 'catch-all' nature of all this and why it is so important to your business. So now it is time to move on and address your most pressing question, "What can I do to ensure that I build this into my business?"

It is perhaps easiest to divide the answers into two parts that correlate to the previous two headings. Thus the first deals with enhancing the capability to cognize the knowledge 'on the table' - what I referred to earlier as business intelligence. The second deals with creating the vigilance to identify and appropriately use knowledge, whether it is the primary, self-evident knowledge or the experiential business intelligence of the first part.

Enhanced business intelligence

There are a number of business intelligence tools and software programs that will enable you to turn your plethora of data into information or useful knowledge. Your challenge is to avoid the pitfalls of over-elaboration and fuelling an exercise in job creation that creates a library of reports and capabilities that keep a small army busy, but that ultimately do little to foster improvements in your business. You can evade this danger by adopting the following broad principles.

1. Identify Account Movements

1. Identify every single asset and liability that currently appears on or that is likely to appear on your balance sheet.
2. For each and every asset, uniquely identify every transaction type that has the affect of increasing or decreasing that item's value or balance.

2. Track account movements

1. Give each unique transaction type a unique code to enable all such transactions to be identified, aggregated and reported.
2. Ensure that this code is used for every transaction.

3. Monitor/reconcile movements by transaction type

Within the existing reporting structure create the capability to:

1. Reconcile from your opening to closing balance by summarising the value of each transaction type.
2. Track the volume (numbers of transactions) for each transaction type and create a secondary report that mirrors the above reconciliation, showing the volume for each transaction type.
3. Drill down so that these reports can be generated for every department or cost centre etc. as applicable throughout the organisation.
4. Measure the average value of each transaction type.

What is more, you need not necessarily confine such period to period reconciliations to only balance sheet accounts. You could also apply them to major expense categories. For example it should quite possible to explain movements from one period to the next, for the payroll. This would provide an unprecedented degree of control, especially if you also reconciled the FTE and tracked the relative proportions of each transaction type. This would not only give you a greater feel for the fluctuations, but greater understanding of make-up of this expense.

4. "Dashboard" Facility

Again using your existing reporting structure, identify how this information should be distributed and the key performance indicators associated with it according to a person's role and create the capability to:

1. Present it on a personal dashboard.
2. Include comparatives that enable results to be compared from one period to the next.
3. Depict this information graphically or pictorially as well as numerically.
4. Wherever possible provide warning indicators for situations that require investigation or follow up.

5. Trend Analysis, Forecasting and Budgeting

Build on past performance and known information to:

1. Incorporate projections as to what is likely to happen in the future.
2. Create a rolling budget that can be mapped against the existing budget
3. Incorporate this into the dashboard - numerically and graphically.
4. Build these into the early warning indicators.

The nasty surprises of my Canadian experience that I described earlier would certainly have been completely avoided if such 'standard reconciliations' had been in place, and considerably mitigated if even some of them had been in place. The inability to properly track transaction volumes is one of the most significant gaps in management reporting and control there is and tracking both volumes and values, automatically creates the ability to measure averages. They facilitate better, (i.e. more meaningful) trend analysis and together provide you with an instant feel for what is going on in the business and the early warning signals that you so often lack, and which proper vigilance demands. They enable you to anticipate issues and nip them in the bud, before they become major problems and a drain on your profits and resources.

It will also considerably reduce the amount of effort required for auditing your figures, and the related costs. So much so that it would probably pay for itself in the first year. This would be even more likely if you made greater use of the trend analysis and used it for forward projection and to create a rolling budget. The man years of effort that go into budgeting are enormous, and this approach would not only reduce that effort (and the strain, disruption and morale sapping that goes with it) but provide greater assurance as to its integrity, as well save you a great deal of the hidden costs the process absorbs.

Enhanced employee engagement

The foregoing would also make a major contribution to making your people's work more satisfying. It would:

- Facilitate greater self-management and reduce the amount of direction they need, thereby giving credence to your efforts to empower them and improve their working conditions.
- Reduce the amount of time spent on unproductive information gathering and analysis and enable them to focus on what they are paid to do, including sorting out issues before they become major problems; making them (and you) more productive.

Corroboration for this is found in the July 2008 British Government report by David MacLeod and Nita Clarke, "Engaging for Success: Enhancing Performance through Employee Engagement" which identified "energising systems ensuring structures and processes aligned to improving results" as a key factor found in companies with highly engaged employees.

This therefore helps redress the "knowledge on the table" issue whilst also considerably enhancing the respond abilities, but it is not enough on its own to address the other facet and make people do their best. You still need to do more to create the sense of teamwork and sharing that will impel your people to be proactive when it comes to looking out for their colleagues and the business.

You will, with some justification, say that it is not within your capability to make your people care. Certainly you cannot **make** your people care, but you can **inspire** them to care, and I would go so far as to say that is the difference between leading and managing. It is your responsibility to create an environment in which they can do their work properly and feel that they are making a contribution to a worthwhile cause, and that's what a good leader does. You can still be a good manager by leaving them to manage themselves and simply supporting them when they encounter problems.

The 5 other factors identified in the MacLeod/Clarke report as creating higher engagement are:

- Shared information - so that everyone in the company can make the right decision
- Compelling Vision - to energise and focus people
- Ongoing Learning - changing and striving to get better
- Relentless focus on Customers - an obsessive drive to keep customers
- Shared power - teamwork, collaboration and engagement

Those are all good, but they only go so far to helping you to identify how to actually do this. There is obviously some unavoidable overlap, but here is my list:

- Recognise the total person - look at their all round talents and fine channels for them to use them, rather than just the 'competencies' they need to fit their job description.
- Remember that your organisation is ultimately a team. It is only as strong as the weakest member, so hire nice people - those who will naturally fit into a team and look out for and support their colleagues, and who will stop to help someone

in need, whether it is a colleague, a customer, a supplier or even if they have no direct connection with the business.

- Create strong ethical values that everyone can buy into without a quibble. Ensure that you set a good example in following that example and be totally ruthless in rooting out any action that is not aligned with those values.
- Create a strong vision as to what your company is about and where it is going.
- Listen to your people and recognise that good ideas can come from anywhere, and are indeed more likely to come to the people who do the detail work on a daily basis.
- Be ruthless in weeding out non-performers and malcontents who are unwilling to change. Not only are such attitudes contagious, but they detract from others efforts. It is the most effective way you have of showing your support.
- Acknowledge your people at all times, but particularly when you identify positive action that you want to encourage. Remember that nothing motivates like appreciation.
- Remember the earlier point about the organisation being a team and eliminate any barriers to teamwork cause by a sense of having a two-tier structure, with different rules for an "elite".
- Recognise that the more successful people your people are the more successful the team will be. Encourage your people to "be the best they can be." Each day they give 30% of their life to your business; recognise that fact and help them fulfil their potential fully at work rather than letting it be an after hours activity.
- Recent research indicates that people like to feel they are 'making a difference in the world.' Find a way to make them feel that their work makes a contribution in that regard, and if it doesn't ensure that you sponsor outside activities that will reinforce that feeling.

Survival Critical Capabilities

Sense & Respond is just one of 5 particular capabilities that you need to monitor to build sustained success and ensure your long term survival in business. These 5 can be recalled by mnemonic SCRIP, where the A represents productivity. The other 4 are:

- Customer Experience;
- Productivity;
- Retention - looking at both employees and customers;
- Innovation.

If any of these 5 is not functioning effectively they provide an indication that your employee engagement is not all it should be. Why? Simply because they are all issues that an engaged work force ought to be tuned into, pick up on and be prepared to do something about. If they do none of these you, ipso facto, have a problem with employee engagement.

The focus here is on your sense and respond capability and it is outside the scope of this paper to explain these others here but you can learn about all 5 and find out more about them from my paper, "Empowering Employee Engagement: 5 Essential Capabilities for Sustained Business Success" which is available upon request or as a free download from my website www.zealise.com

More on Employee Engagement

In fact employee engagement is unquestionably the single strongest thread running through your mission to build sustained success. Ultimately, business boils down to people. It does not matter how good your plant is or your product, your business is ultimately dependent on your people and they way they support its objectives in their dealings with customers and potential customers (as well as other stakeholders.)

So not only are people the greatest asset you claim them to be, but they are your most important asset. Thus your ability to sustain success is ultimately dependent on your people. Consequently, you could say that SCRIP is not only a useful barometer for measuring your ability to sustain success, but also the key to measuring just how engaged your people really are. Why? Because the extent of shortcomings in your SCRIP measures is indicative of the extent to which your people are failing in these areas. Any failure here is because there is a gap in understanding of what your business needs to do to sustain success and/or a commitment to meet those needs.

In light of this it is hardly surprising the employee disengagement is estimated to cost the US economy \$300 billion a year. And remember that figure is an aggregate, made up of its effect on all businesses in the US economy. And survey results indicate that employee disengagement is just as much, if not more, of a problem in other major economies. So what is it costing your business and to what extent is it putting your long term prospects at risk?

Don't take a chance

Of course it is no good identifying all these capabilities that are essential for sustained success without have a way to measure yourself against them. That is why I have used them to build a high-powered, cost-effective assessment tool that will enable you to:

- Assess your position; and
- Develop a targeted action plan to address any shortcomings.

Now is the perfect time for you to conduct a review. There are many who say that there are more nasty surprises in store and that the economic climate is going to get worse before it gets better. Not only will an assessment help you to ensure that there are no nasty surprises lurking in your business, but it will simultaneously help ensure you meet your executive accountabilities properly. It will also position you for both the short term and the long term and thus to lay the foundation for your future sustained success.

Is your business susceptible to unpleasant surprises?

Do you have all the information you need to eradicate the possibility of nasty surprises?

Do you have early warning signals that alert you to impending change?

Are you confident that you can rely on your people to respond appropriately to signs of change?

Do your communication channels inform you of impending change and the action being taken so you are aware of what is happening at all levels in the organisation?

Does your business respond quickly and effectively to change?

Undertake an assessment now to help you answer these questions, or others you may have, or just to assess how engaged your people really are. To find out more, please contact us now.

CONTACT US

Telephone: +44 (0) 1254 727652

Email: info@zealise.com

Website: www.zealise.com



About Bay Jordan



Bay Jordan is the author of "*Lean Organisations Need FAT People*" and "*A Feeling of Worth*" and the founding director of Zealise Limited, a consultancy he is building on his recognition that the failure to fully recognise the human element in managing change has been a primary cause of increasing employee disengagement, and the reason why so few ICT projects have ever realised the full benefits projected for them. He recognises that sustained competitiveness is impossible with disengaged people. Accordingly, he has an innovative new approach to flushing out and rectifying these problems. He fully expects his solutions to potentially to improve your bottom line results by *at least 20%*.

www.zealise.com

blog.zealise.com