

Have you ever thought about...

...Change? — Be aware of 'gradualists' and 'suddenists'

WHEN YOU WERE A CHILD, how much time elapsed on a drive before you sang out that irrepressible car refrain, "Are we there yet?" You and your parents obviously had a different sense of how long the journey would take.

"Are we there yet?" is frequently asked in the workplace, too, maintain authors Josh Hammond and James Morrison. When people ask, "Is the report done yet?" "Hasn't someone been hired yet for that new position" or "How far have we got with implementing the new programme?", they are just paraphrasing and applying that old "Are we there yet?" question to different "theres."

If we're not there yet, then how much time should elapse before things change? People at work may differ greatly in their sense of how much time a new venture should take.

Answer for yourself this question that Hammond and Morrison asked a cross-section of people:

"When you think about making changes in your personal life or work life, would you consider yourself a gradualist (you believe change should come about slowly, through a gradual process) or a suddenist (you believe change should come about quickly, through a sudden process)?"

Next, predict which option a majority of people chose.

Hammond and Morrison found that most people, 55 per cent in fact, identify themselves as gradualists.

But they were dubious, so the next time they asked:

"Based on your experience, in your personal/business life, how much time does a change take?"

"Check one of these answers:

- a few minutes
- a few months
- a few hours
- a few years
- a few days
- several years
- a few weeks

"Again, answer this question yourself and then estimate how most people answered it.

"It turns out that a majority of people say "a few months" or less, regardless of whether they see themselves as gradualists or suddenists," report Hammond and Morrison. "In fact, one in every five people who say they favour a 'gradual' process for change define that as a 'few weeks' or less! As you might imagine, gradualists see suddenists as impulsive, and suddenists quickly become exasperated with gradualists at work. ■

SOURCENOTE: Josh Hammond and James Morrison, A New Framework for Quality, Productivity, and Profitability

Managing business risk

Managing risk is not just about handling everyday hazards and potential physical perils.

"EVERY BUSINESS should have a strategy for managing risk," says E David Bishop, head of risk assurance services at international PricewaterhouseCoopers.

"But many companies too often consider risk management as just compliance with regulation or prevention of hazards."



Traditionally, businesses have tended to view dealing with risk along the lines of "we've installed a fire alarm, nominated a Health & Safety officer, implemented an IT security system and are always on the lookout for fraud. Job done."

But this established view of risk management is now being called into question by experts who believe it's too narrow, particularly in light of recent terrorist events and advancing technology.

As a result, risk management has been pushed to the forefront of political and economical debate and press coverage about the need for all manner of security against risk in business has gone through the roof.

Protecting value is the core

"Businesses have to operate in an entirely different environment compared with that of ten or 20 years ago," says Bishop. "Staff are more mobile, customers are more demanding, prices are less static and the idea of a global market is far more real."

Many business advisers now believe risk management should include creating and protecting the value in a business, and even using that to seize opportunities, not just securing a company against acts of god, vandalism or terrorism.

Being risk aware must involve weighing up trading volatility and probability and turning it to your advantage. Decisions you make or actions you take as a result should also be included in your overall strategy.

Management consultant Dr David Hilson, says, "Some of the uncertainties in business that expose you to risks can also provide unexpected opportunities."

Succeeding often requires you to do something radical or different from your competitors and that can be daunting. However, the lifeblood of an organisation is often its ability to innovate or take gambles with new markets or products. Therefore, an overly

cautious approach can result in companies shying away from the very thing that could give them a competitive edge.

Get a risk champion

Of course, it's all about taking the right risks, yet the line between good risks and bad risks is a hard one to draw. Experts say if you are managing risk well, then you should be aware of all areas where dangers might arise and plan accordingly.

But, in reality, risk in various forms is spread across all areas of a company and some risks will be viewed differently by different departments.

Because it's a function of so many processes, it's hard to get a handle on either qualitatively or quantitatively.

Insurance experts suggest companies should appoint a 'risk champion': a member of internal staff who is responsible for overseeing the analysis and implementation of risk strategy.

It's better for 'non-specialist' risk assessment to be handled in-house; one person is more likely to ensure a consistent approach than several people with fractured responsibilities.

Insurance is critical

Some risks you can eliminate

Concluded overleaf

Teamwork — the great wastebasket shootout

INSTEAD OF SPENDING thousands to send teams of employees to an outdoor challenge course, here's a half-hour activity, suggested by trainer Phillip Faris, that will do nearly as well.

It helps people discuss and better coordinate their goal-setting, decision-making, feedback-giving and team-support skills.

Divide your group into teams of four to six people to compete in the **GREAT WASTEBASKET SHOOTOUT**. Each team will need a waste paper basket and about 100 sheets of scrap paper.

Designate a separate shooting area for each team by putting its basket against a wall and placing a 10-inch piece of masking tape on the floor, 10 to 12 feet away.

Tell each team to designate a shooter who will toss paper wads into its basket. Shooters will not be allowed to face the basket, so they will have to rely on their team members for direction and feedback.

Give each team ten minutes to select a shooter and to establish a goal for the two-minute shootout period.

The winning team will be the one with the most points. Points will be awarded this way:

- **Two points for each basket up to the team's goal.**
- **One point for each basket over the team's goal.**
- **Three points subtracted for each basket under the team's goal.**

For example:

	Goal	Actual	Points
Team A	12	13	25
Team B	12	11	19

All paper wads must be made during the two-minute shootout.

Team members may not physically assist the shooter (e.g. move the basket or tip shots in). They may only give feedback and prepare paper wads for the shooter.

After the ten-minute preparation and two-minute shootout periods, tally the groups' scores and ask them to discuss among themselves (then as a large group):

- What factors helped your team's performance?
- What factors hindered your team's performance?
- What could you have done to improve your team's performance?
- How does this exercise relate to your job? ■

SOURCENOTE: Phillip Faris, 50 Activities for Sales Trainers



Ian McFarlane-Toms

The way I see it...

IN THE BUSINESS BIBLE, his book about bringing ethical values into the workplace, Rabbi Wayne Dosick observes that making ethical choices can be easier than it might seem:

There are only a few singularly momentous choices you will ever be called on to make. Most of your choices can be small, everyday decisions that, taken all together, weave a pattern of behaviour that guides and ultimately defines you.

Not long ago a man completed a cross-country walk. He had started in New York by dipping his feet into the Atlantic Ocean. He finished his journey in California, where he put his feet into the Pacific.

As he neared his destination, a large contingent from the media followed him on his final steps.

Managing business risk

— concluded from overleaf

or reduce by your own efforts. Others, particularly hazards, may pose a potential threat whatever steps you take.

So, it's important to judge whether your company can afford to cope with some of these risks you cannot avoid, and if you would be able to deal with the potential outcomes.

If not, it's advisable to seek some form of insurance, where available and affordable, to cover this residual risk.

...and so is advice

One of the key benefits of seeking insurance is that you will receive advice from insurance companies and brokers who will be able to suggest ways to reduce your risk in those areas.

Utilising an outside perspective from specialists to shed new light on your risks will bring a valuable new perspective that can inform your management strategy.

"Until recently, risk has had very negative connotations," continues David Bishop. "It's all been about what can go wrong.

"But leaders in business should think much more strategically about what drives the creation of value and what destroys it."

David Hilson agrees, saying "Risk management acts as a forward-looking radar, scanning the uncertain future to identify things which might pose a significant threat to be avoided or an important opportunity to be explored.

"Even though it may not be possible to discern every last detail of the uncertain future, the risk process aims to expose areas of particular uncertainty and indicate the best path to follow. In that way, it is invaluable to all growing businesses."

Categories of risk

The Institute of Risk Management in

He was asked, "What was the hardest part of walking across the entire country?"

"Was it the blazing sun? "Was it the cold rains? "Was it the long trek up the mountains?"

"Was it the boredom of the flat plains? Was it the exhaustion that overcame you each night?"

The walker answered, "It was none of those things.

"The hardest part of walking across the whole country was the little grains of sand that kept getting into my shoes."

When you face the little things first, when you confront the small problems as they arise, you can eventually tame any monster of immorality and slay any dragon of ethical imperfection. ■

the United Kingdom has identified four chief categories of risk, each of which involves internal factors within your company and external influences, all of which should be part of a growing company's risk strategy.

Financial risks

Financial risks arising from your own company chiefly concern liquidity and cash flow, your ability to extract money from your customers in time to pay your suppliers and other creditors.

External financial risks include changes in interest rates and exchange rates, as well as the availability of credit — which is, of course, also affected by your own creditworthiness.

Strategic risks

For the longer term, strategic risks that your company can influence directly include the chances of a worthwhile return on your investment in research and development and, conversely, the risk of losing business by failing to spend in that area.

Integrating other companies after mergers and acquisitions is another risk that falls into the strategy sphere.

External strategic risks include issues concerning competitors, such as a tough new rival launching onto the scene, or the loss of a key client.

Operational risks

Operational risks within your company include issues such as your accounting controls, IT systems and technology, recruiting and retaining key staff and changes to your supply chain.

These you are likely to have more control over than external operation risks, such as legislation and regulation that impacts on your business.

Hazard risks

Potential perils to consider as hazard risks include damage to plants or machinery, staff illness or injury, accidents, industrial action, theft, fraud, vandalism and natural disasters. ■

SOURCENOTE: Business XL



IMAGINE THAT YOUR JOB has grown — in head-count, responsibilities, workload — and you need to find a number-two person to help you manage.

What traits should you look for?

As a good leader, you're courageous enough to hire someone as talented as you are and that's a good start.

There are five other qualities to consider:

1. Complementary skills, values and personality. You'll want someone who can work with you on tasks too big for one manager yet someone who can also work independently.

If you're good at numbers and strategy, think about someone who can rally people behind your goals.

If you're an extroverted, charismatic idea-generator, look for an implementer.

However, you should share a belief in integrity and teamwork— values important in managing a growing unit.

2. A healthy ego. A number-two person must be able to find satisfaction below the top and accept that he or she will not get as much credit as the leader.

At the same time, leadership ambitions are entirely appropriate.

For example, one ideal candidate might be someone who is aiming at the top spot but understands the value of learning by assisting.

3. Credibility. A number-two manager trusted by the group can be a conduit of information.

Look for someone who's built loyalty in previous jobs and who can organize information and present it to you clearly so you can set priorities and make decisions.

4. Creativity. No "yes-men" or "yes-women" are needed.

A penchant for new ideas and solutions is what you want.

5. Courage and loyalty. Balancing these two traits is a major challenge.

Someone who will tell you the hard truth yet won't betray your confidence is the ideal candidate.

Will you find someone with all these traits?

You might—but more likely you'll find candidates strong in some areas but needing your help to develop in others.

That's actually a good thing: Your relationship will grow as you help each other. ■

SOURCENOTE: Adapted from *Co-LEADERS*, by David A. Heenan and Warren Bennis

People management

Problems created by favouring the first-born

by Nick Hood

The difficulties facing small firms as they expand and discover that employees recruited when the business was small fail to measure up as it grows larger.

A STUDY BY THE Norwegian School of Economics and Business Administration found that a family's eldest child does better academically and financially than his or her siblings, regardless of their sex.

He or she is the most successful at school, gains the best grades and lands a place at one of the 'better' universities – which usually leads to a 'good' first job.

The child does better because he has more of his parents' attention, and because he can dominate his younger brothers and sisters.

That's family life, but what about business? Can we learn anything from this? And is there anything useful we can apply to the smaller companies I often deal with which account for some four million commercial enterprises. I think we can.

Smaller businesses function along similar lines to most nuclear families. Usually there is a strong head of the firm, commanding a role similar to the old-fashioned Head of the Household, and a strong sense of the need for mutual cooperation.

There is, also, intense rivalry and internal competition.

Like families, small firms produce tight, often unique, cultures. They become small worlds, operating by their own rules.

Strong workplace cultures are forged by having to battle each day with adversity.

But the very act of struggling to stay afloat can drive staff together rather than apart.

There's nothing like knowing your firm has battled against the odds and lived to fight another day and knowing that you and all your colleagues have done their bit to aid its survival.

Much of this is really positive. People often want to work for smaller businesses because they like being part of a tight team where everyone's effort counts. They seek workplaces that have a strong esprit de corps and where their individual contribution will be highly visible (for good or ill).

So, to return to my main question. If the eldest child does best in life, does the same apply to employees in smaller firms? Does the first person hired do best? Does the firm put more effort into helping this person succeed? And does their dominance within the firm mean others will inevitably have fewer chances to shine or have their say-so?

I think, on balance, after many years dealing with smaller companies, I can give a qualified 'yes' to all these points.

Undoubtedly, there is much agonising that goes into hiring employee number one.

Once the founders have set up the business they will debate long and hard about who they first take on.

They will want someone with a strong sense of responsibility who can be moulded into the way the founders like to work. Like the first born, this first employee will get the full attention of the founders. Subsequent employees will have to compete for their time. As firms grow larger, the first employee will have a large degree of 'founders' rights', enjoying privileges other staff might consider unfair.

This is something that owner/managers must watch out for. They should be wary about creating a culture where new recruits perceive that there is an 'old guard' which is treated with kid gloves.

Founders must be aware that with each new employee, the firm changes. New staff are not joining the initial organisation, but one that has evolved.

It may be the case that the firm has developed to such an extent that the early joiners are no longer of high enough calibre or quality to maintain their roles.

The chief problem will be cultural, however. Ineffective management will lead to a collapse in workplace morale, signalling that it is acceptable for an 'old guard' versus new employees position to have become established.

This will produce an unhealthy working atmosphere and a falling-off in team communication.

How do you spot if this is happening?

Some tell-tale signs of trouble ahead will be normally happy and vocal staff who start to clam-up at staff meetings.

If you don't work hard at getting them to express their hidden resentment it will lead to a long and protracted death of your business as people become increasingly reluctant to stay late at work or go the extra mile.

The other consequence of favouring the first-born in the workplace is that even fairly fresh staff will start not to bother with offering the management new ideas or useful suggestions towards the firm's development.

As most small businesses sadly remain small all their lives, bringing about change and keeping products and services fresh and in line with the market place is no cosmetic challenge. It is the lifeblood of the business.

My experience with struggling small and medium-sized companies shows that they can get more than a little inbred.

The key objective for all SMEs must be to avoid becoming inflexible and ill-adapted for change.

In today's rapidly-changing business world, 'fleet of foot' should be the way they would want to be described. ■

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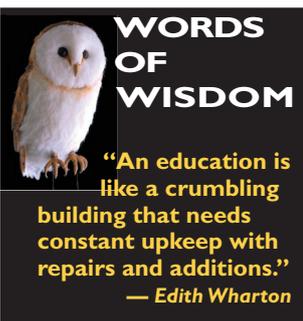
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Motivation

Use these methods to tap into workers' internal motivation

As a manager, it's your job to motivate your employees... right? No — It's your job to help employees motivate themselves.

TAKE ADVANTAGE OF THESE TOOLS:

• **Maximum communication.** When it comes to communication, less is definitely not more. Even if your management team doesn't share with you, that doesn't mean you must be close-mouthed with your staff.

Do a Google search, subscribe to a business journal, take the necessary steps to learn as much as you can about your organisation and industry, then share the wealth with your staff.

Who knows? Your research may lead you to come up with the very product or service to keep your company afloat in lean times.

• **Shared responsibility.** The more responsibility you dole out, the more motivated your workers will be to meet or exceed your expectations.

Don't overload your staff, but do give them the opportunity to take charge of a project or meeting or to fix a nagging problem without your input.

A positive byproduct: People given responsibility for fixing problems are less likely to spend their time blaming others for creating them.

• **Training and development.** Be realistic. Few people on your staff are looking to retire with the company.

Some are biding their time and the best are building their CVs. When they feel they've nothing left to gain, they'll move on—slow economy or not.

That's why you should prioritize training programmes that help them build their skills while keeping them engaged with your organisation. And if you're concerned about the budget, do a little research.

Many organisations offer low-cost one-day workshops—and the cost of internal cross-training is negligible, particularly when measured against the benefits.

• **Self-evaluation.** Encourage workers to take stock of themselves not only in terms of what the company is doing for them but also in terms of what they're doing for the company. People are more likely to be motivated when they feel they're actually making a difference. ■

SOURCENOTE: Adapted from *MOTIVATING STAFF WITHOUT MONEY...* by Paul Falcone, in *HR MAGAZINE*

Brief and to the point

2006 to be costliest year yet for insurers

Research by insurance body Swiss Re has revealed that 2005 was the costliest year to date for insurance firms around the world and the organisation is predicting that 2006 could be even pricier. From major incidents like Hurricane Katrina in the US to issues such as the flooding in parts of northern England last January, natural disasters have been chiefly to blame for spiralling claims. The business world is concerned that these rising figures may result in hikes to insurance premiums this year.

There are more predictions about the insurance market in 2006 at: <http://www.swissre.com/INTERNET/pwswpsprnsf/fmBookMarkFrameSet?ReadForm&BM=..lwwAllbyIDKeyLu/gdso-6jfkje?OpenDocument>

Business recovery set for 2007, say consultants

Many businesses will continue to struggle throughout 2006, according to forecasts from consultants BDO Stoy Hayward, but 2007 should see a drop in the numbers of firms going out of business. But the figures are marginal, says BDO, and while this year has seen an estimated 17,303 firms folding, 2006 will see 18,052 - an increase of 749. If economic growth increases in 2007 according to forecasts, however, BDO believes the number of firms going out of business will drop to 17,528.

You can find out more at: <http://www.bdo.co.uk/BDO5H/Website/bdouk/websiteContent.nsf/vAll/848B3CEC669D66EA802570DD00433794?OpenDocument>

Have your say!



Add your voice to those of other business people on important business issues. Each issue of **Business Alert** will feature a **Statement** on which you can voice an opinion. Simply select the view that reflects your opinion and email it to me. Your opinion will be submitted to the Institute for Independent Business for inclusion in its continuing business research.

The Statement:

"The biggest problem I face is finding skilled staff"

Please email me with the letter (A-E) expressing your opinion from the following choices:

- A. Strongly agree
- B. Agree
- C. Unsure
- D. Disagree
- E. Strongly disagree

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