PROFITUNE
BUSINESS SYSTEMS
Better management, bigger profits

February 2009 eNewsletter

www.profitune.com | Subscribe here

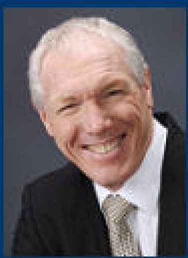
In this Issue:
(Time to read entire newsletter: 24 minutes)

- The Times, They Are A Changin' Are You?
- The Three Stages of a Downturn
- Opportunity In The New Industrial Relations Landscape
- Your 2009 "To Don't List"
- Leadership
- Thoughts About Change

"Life is Change.
Growth is optional."
Vince Lombardi

This month's funny ...

Leadership



Peter Rowe

Your accredited PROFITUNE BUSINESS IMPROVEMENT SPECIALIST

Clear Goals, Better Management, Bigger Profits, Happy People!

T: 07 5510 3555 **E:** peter.rowe@profitune.com **M:** 0408 844 000

Hi,

A Quick Look at Leadership

If you own or manage a business you will already be finding that the changes across our markets, our economy and across the world are demanding more of you, personally and professionally.

Some of yesterday's strategies will have stopped working, and you will already have begun working on new approaches that take into account tighter credit and tighter spending, but also a looser labour market, lower borrowing costs and failing competition - all of which spell "o-p-p-o-r-t-u-n-i-t-y" for the leaders who adapt (and D-O-O-M for those who don't).

My aim is to provide you with some ideas that provide both a positive perspective on what is happening in the world at large and the business under your nose, and to offer a range of strategies and ideas from which you can pick some winners.

More fortunes are made in hard times than easy, so take your focus off the black hole that the Press is trying to sell you and get a load of the size of that doughnut around it!

Enjoy!

Regards Peter Rowe

Director ProfiTune Business Systems

PS: Looking for an entertaining and informative presenter? For information about booking Peter to talk to your company or association, contact our Presentations Coordinator on info@profitune.com.

PSS: I think our our bumper sticker says it all ...

The Times, They Are A Changin' - Are You?

(Time to read this article: 4 minutes)

It's funny, Nature has trained us to accept the changing of its seasons, and you don't hear too many people exclaiming, as Nature contracts, "Oh no! What's gone wrong? *Another* Winter!" And yet, while every market, including yours, is a broader part of Nature and so breathes in and out with a rhythm resembling the seasons, you'll still hear plenty of people exclaiming, at the next contraction, "Oh no! What's gone wrong? *Another Recession!*"

Surprise, surprise! Did they expect that unlike anything else in their experience, markets in general would just continue to breathe in - and expand forever? Come on! If it did that, the logical result is pretty obvious, isn't it?

So the market, like the seasons, has contracted and if we are smart we'll adjust our behaviour to harmonize with it - or wear the consequences.

So, what changes do you think are called for right now?

Change is Hard

From the outset it's smart to accept that changing behaviour is hard for most people, and even harder for most *groups* of people - and most businesses are a "group of people".

So just how hard is Change?

On a scale ranging from one (easy) to 100 (impossible) I see a strong case that Change is an 89 in difficulty.

Why?

Because for every 100 people diagnosed with heart disease and scheduled for bypass surgery, only 11 will make the changes to their diet, exercise and weight loss recommended to extend their chances of survival. The other 89, while clearly appreciating their need to change to avoid a significantly increased risk of death, fail to do so - because *Change is hard*!

So, before we get into the "What change do we need to make to meet our changing market?" a better question might be, "What *will* I have to do so that I and those I work with ***can*** change?"

I'm going to save the answer to that one - the $64,000 question if you like - to the end, and begin with **what** changes are indicated.

What Changes Are Needed?

Space dictates I take a narrow approach here, so I'm going to address the question of, "*What changes to selling processes would be wise in a softening market?".*

1. **Don't do kneejerk cuts.** Don't cut sales budgets or staff without first analysing the likely effect of doing so. A 10% cut in sales staff or resources projected to result in an 8% drop in sales might sound tolerable, but if the bottom line effect of 8% less sales is 12% less profit, it's illogical to cut.
2. **Think counter-intuitively.** If your opposition is cutting staff, then market coverage, contact frequency and standards of services must generally suffer. That may also mean that some good sales people who were previously inaccessible to you are now on the market, enabling you to top-grade your own team and to step up coverage, contact frequency and service levels to clients who are still out there needing to buy. Don't underestimate the power of the positive message you generate into your marketplace with this move, and be aware that a nervous market will gravitate towards strength and certainty in uncertain times.
3. **Look for Savings, Then Spend.** If the market is softening, and you have managed your cashflow in the past so as to provide a capital reserve, you are going to get more bang for your buck on any purchases in a soft market as people compete keenly for your business. This could be an excellent time to embark on a project that could cost a lot more in a stronger market. The "strength message" applies again.
4. **Be flexible.** You could just cut 10% of your sales staff. Or, you could ask all of your sales team to take a 10% cut so that you can keep them all. The actual financial cost to them will be less than 10% due to the effect of marginal tax, and the effect on morale and esprit de corps is likely to be huge. If things tighten further, consider asking your sales team to take one day in ten off (say, every second Friday) - that saves another 10%, is likely to add positively to their work/life balance and keeps the team together so that you are at full strength if the market surges momentarily, or recovers fully.

The Three Stages of a Downturn

(Time to read this article: 7 minutes)

In a study of 375 of the Fortune 500 companies, Bain & Company identified three stages to a downturn and two contrary behaviours to each stage. The stages are:

1. Storm clouds - the first sign of trouble.
2. Wet and rainy weather - sales plunge.
3. First rays of sunshine - customer purchases increase again.

What the Losers Do

In Bain's study they found that the 'losers' respond to each stage 'intuitively'. At each stage, losers:

1. Exude confidence - don't alarm the team or the market.
2. Slash costs - reduce staff, quality and services.
3. Spend lots - regain momentum, make it up to staff and customers.

What the Winners Do

Winners act counter-intuitively. At each stage, they:

1. Reality check then plan - they provide their team with an objective analysis of their situation and share their contingency plans.
2. Partner - they treat staff and customers as partners, take a "we're all in this together so let's work out how to get through these tough times", and favour action over analysis, often buying up faltering competitors. (That strength message again.)
3. Ramp up - because they've maintained capacity there is no need to "jerk into gear" to meet a rising

market. They are well placed to ramp up activity first, then resources to keep pace with their market.

What the Winners Get

There is researched evidence across similar companies showing that those with little or no lay-offs in a downturn significantly outperform those with larger lay-offs.

The maths for this is simple: As most downturns last an average of 11 months, wage savings from lay-offs are more than offset by the combination of severance costs, declined productivity, rehiring costs and training.

Three Basic Sales Strategies for Softening Markets

Here are three strategies proven by winners to work in a downturn:

1. **Count your chickens.** Make sure that you are looking after your existing customers better than usual (if that's possible) because there'll be plenty of hungry competitors out there ready to do anything to steal them from you. If you step up first, and raise service levels when everyone is talking doom and gloom, you're going to be a beacon in the dark, and attract both old and new customers alike. You'll also raise the bar so high your competitors will waste a lot of valuable resources trying to jump over it.
2. **Find your lost chickens.** Lost and lapsed customers - and ones you just plain mislaid, are still more likely to buy from you again, than is a new client. So it makes sense to go back, find those lost chickens, apologize, crawl over broken glass if need be and win them back into your pen. We all lose customers in good times for the simple reason that sales people like the thrill of chasing new customers more than the drill of looking after old ones, so there *will* be lost chickens on your books. If you dropped them because they would not meet your price, see if there is a way you can meet their price point profitably with an economy offering.
3. **Steal someone else's chickens.** With competitors cutting service levels you have the perfect opportunity to raise yours (having first done it for your own customers, you should be good at it!) and steal their chickens. If you've retained all of your sales force when the market is rife with tales of lay-offs, you're in the perfect position to ask your entire sales and service team to step up to a new mark and secure their company's future (they know they are thereby securing their jobs, so you don't need to raise this as a threat).

The Odds Are in Your Favour

Here are some interesting odds calculated for four types of sales behaviour. They might not be precise for your industry, but I'll guarantee their relativity is accurate regardless of your market:

1. Sell a current customer a current product: 2:1
2. Sell a current customer a new product: 4:1
3. Sell a current product to a new customer: 8:1
4. Sell a new product to a new customer: 24:1

Winning Sales Strategies

1. **Improve your pipeline management.** In good times sales people tend to tolerate a certain amount of wastage from their pipeline (the flow of people who are at various stages of the buying process). In bad times, they'll sometimes hang onto non-buyers to comfort them that their pipeline is still healthy - when it's not! (We do a lot of work in this area, and there is insufficient space for detail here, so please email me if you'd like more).
2. **Improve your selling process.** Again, when times are easy, selling processes can get sloppy and still bring in the bacon. In tight times, a better level of performance is needed just to get by, so review and then improve your team's overall performance at the coalface. (Again, this is one of our training specialties, so email me for more, please.)
3. **Improve your activity rate.** Contact more people and run a better process while doing that. Add more prospects to your pipeline, increase your follow up rate and frequency, raise your standards all around.

4. **Count everything.** Selling is a numbers game and results always improve when you subject its various stages to analysis, reflection and feedback.

5. **Hold your pricing and increase your value.** Giving away margin in tight times will only add to the negative effects of having to work harder for the same sales dollar - if your cost of each sale goes up because you've had to raise the bar to compete (or dominate) then, more than ever, you need to maintain margin. Instead of cutting price, add value, improve service, follow up, relationship build. Don't be surprised if this pays off in unexpected follow-on sales.

How Do You Bring About the Changes You Must Make?

Coaching is about guiding clients to make the internal, personal changes that must precede the external behavioural and cultural changes their business needs. The coaching process is largely enjoyable for both parties (I'd say 89% of the time, referencing the stats I quoted at the beginning of this article), and challenging 11% of the time as we approach the change points.

If you'd like to know more about how coaching with me can assist you to thrive in tough times, and to achieve your goals more quickly, with less risk and more certainty, please email me.

Acknowledgement: This article arose from reading an article by Robert Miller that fitted with much of the guidance emerging for my coaching clients over the last five months. If you'd like a copy of the original, thought-provoking paper, just ask.

Speaking of Change - Opportunity In The New Industrial Relations Landscape

(Time to read this article: 1 minute)

Robert Gottliebsen has raised a fascinating opportunity in a recent article on Julia Gillard's industrial relations legislation.

In short, Gottliebsen points to what he calls the 'productivity booster' clause in the legislation that makes it possible not to have employees employed under an enterprise agreement but rather to be employed under what are called 'industrial flexible clauses'. The agreements under these clauses are really individual contracts and they must be genuinely agreed to by each employee and there are clear minimum conditions. In these agreements no third parties (i.e. unions) need to be involved.

He makes the point that "No company should contemplate such agreements if they have an old-style HR department because it requires a totally different management culture to manage lots and lots of agreements. Those that manage such a structure must have excellent relationships between management and staff and need to be able to cope with some employees who are part of a union agreement."

My take on the new legislation is that Change always presents Obstacles and Opportunities as the two sides of a single coin, and that if you approach the new changes in IR legislation with a positive attitude and a desire to find a win-win solution with your team, then there are riches to be harvested by both parties - usually at the expense of your less flexible competitors!

Your 2009 "To Don't List"

PROFITUNE BUSINESS SYSTEMS

(Time to read this article: 8 minutes)

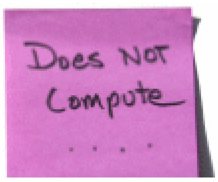
When you coach business people as I do, you realise very early in your career that all of your new clients are "full" though some will tell you that they are "150% full" which translates to "I'm on the verge of being out of control, I'm spinning my wheels and I'm drowning in a bunch of half-finished business and personal projects!".

So, at the very outset of business coaching we invariably clarify the client's goals and elicit their priorities. Next, we start clearing their decks so that there is room in which they can think, plan and then begin the process of change that will get them what they want.

Since we're at the beginning of a New Year, let me share with you a useful little exercise for 'clearing the decks', and it begins by drawing up your own "To Don't List".

Fixate on Your Vision

Using a Focus Template like the one I offered in my introduction to this January's eNews, make sure that you are crystal clear on where you want to arrive, personally and professionally, in three-five years' time. Once you have that Vision crystal clear, you'll find yourself looking to it repeatedly in the following steps.

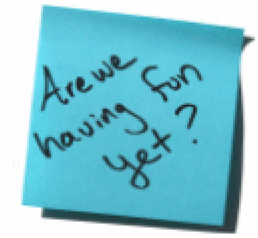


1. **Don't do stuff that doesn't align with your Vision.** If your latest bright idea doesn't move you strongly toward your Vision, ask yourself why you would do it. That's going to save some of you a huge amount of time!

2. **Don't do stuff that does not pass the WB@ Test.** If you can't become "World Best @" whatever it is that you are proposing to do, why would you

do it? (Now, don't get all frustrated; instead, work out what you could be "world's best at", and do that instead!)

3. **Don't be cool: Instead, be *excited*!** Catch your team doing things right (ie, doing expertly things that move the business strongly towards the Vision that you so persuasively sold them), then make a fuss! Praise them, loudly, in the most un-cool fashion. Keep doing this when you discover behaviour that moves you towards the Vision, and you'll find everyone in the business starting to focus on that type of behaviour. Don't work with people who aren't passionate about the Vision and their role in bringing it about. Working with people who aren't passionate is hard; working with passionate people is easy and uplifting and exciting - but only *if* you ask for their commitment, give them authority, monitor their performance and provide timely feedback.



4. **Don't start the day until you've planned it.** Invest the first one minute of every day focussing on your Vision, the next minute on the point at which you have to arrive by the end of the day, and the next eight minutes planning the things that must be achieved that day to make that happen.

5. **Don't plan your whole day.** Leave 40% of your available time free, to handle the unscheduled tasks that will happen: team seeking clarification; opportunity analysis; client contact; stuff. Planning 100% of your day is counter-productive, as it springs from the belief that you can organise the universe so it won't find, and interrupt you. Be realistic, and leave 40% of your time fluid to handle what happens in great style.

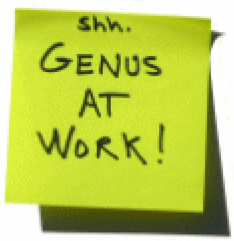
6. **Don't do immediate stuff before you do urgent stuff.** *Immediate* things are emails, phone calls, customer-initiated contacts, drop-ins - an accidental fire in your waste paper basket or an unexpected compliance matter. *Urgent* things include planning, strategic thinking, meetings with and coordination of your team, development of systems, customer relationship development, and so on. Get these backwards (as most people do) and your productive time will drastically decline.

7. **Don't open emails.** There, there (I can hear the sharp intake of breath), it's alright. What I mean is, "Don't open your emails until you have planned your day and *until* you've had your five-minute stand-up meeting or teleconference with your key people so that the whole team is off and running in the direction of your Vision. Then (and only then) you can open your emails. (They don't call them "crackberries" for nothing, do they?)

8. **Don't do low priority tasks.** Until you've done the highest priority task of the day (the second highest actually after planning your day, which is the highest). Watch what happens to your personal productivity if you set priorities at the beginning of the day and then discipline yourself to hold to those priorities as the day grows busier. Get this right and you'll get more of what matters, done!

9. **Don't put up with timewasters.** If something or someone in your business wastes time, make them or it an item on your Task List, assign it a priority and fix it - if not today, then this week, this month or this quarter. That may entail investing scarce time in training; or in pulling out of the bustle and sitting quietly to design a better system for doing something that repeatedly wastes time or resources. This could take in the adoption or integration of new technology that you have been avoiding up until now.

10. **Don't do $5 an hour work.** Look at your time as being worth $100 an hour or $1,000 an hour to your business. Install that perspective and sooner or later you're going to start asking yourself, "Why am I spending $500 on cleaning up, when I can hire someone else to do it for a fraction of that?" Put an hourly rate on all of your people then take a look at what some of their activities are costing you. If they looked at themselves the same way, do you think they'd find a better solution, and improve their return on your investment in them?



11. **Don't settle for less than business mastery.** Anyone can become an expert in anything within five years - *if* they set a goal to achieve that, and *if* they are prepared to devote time, resources and priority to doing the things that are needed to learn and grow every day. If you want to fast-track this one, talk to me about Coaching and I'll show you how you can get there faster, more certainly, and with less pain and risk than you'll do on your own.

12. **Don't just read this.** Start writing out your To Don't List today. The Universe rewards action, and the mere fact of your writing out your To Don'ts will have an influence on how you work thereafter. Writing out your Vision will be a much bigger influence, however, so why not start with that?!

(Time to read this article: 3 minutes)

In times of challenge, excellent leadership will be the common factor for the majority of those businesses who thrive, so it's probably timely to share a couple of thoughtful insights about leadership.

Social Intelligence (Daniel Goleman)

"The leadership competencies of self-confidence, the drive to improve performance, staying calm under pressure, and a positive outlook . . . can be seen at full force, in outstanding *individual* performers . . . and that's the rub for, when it comes to leaders, effectiveness in *relationships* makes or breaks."

"Solo stars are often promoted to leadership positions and then flounder for lack of people skills."

In comparative studies of failed and successful CEOs in America, Germany and Japan, Claudio Fernando-Araoz (Egon Zehnder International) found that those who were hired on the basis of their drive, IQ, and business expertise, failed - and were fired - for their lack of *emotional* intelligence.

"They simply could not win over, or sometimes even just get along with, their board of directors, or their direct reports, or others on whom their own success depended."

Claudio cites three cases of social intelligence counting more than self-mastery in leadership positions:

1. At a transportation company, those leaders strongest in the social intelligence competencies led greater revenue growth than did executives with strengths only in the self-mastery competencies.
2. At a major nationwide bank, high social intelligence (but not self-mastery alone) predicted executive's yearly performance appraisal, which in turn reflects business success.
3. Among Catholic priests, greater social intelligence predicted more satisfied parishioners.

Dacher Keltner PhD found that "power is given (long term) not to those with the cash, votes and muscle, nor to the schemers and wheeler-dealers, nor those who manoeuvre against the interests of rivals or the group as a whole - it is given "to those individuals, groups, or nations who advance the interests of the greater good in a socially-intelligent fashion".

But, Power Corrupts

Chillingly enough, in a finding that resonates with Bishop Creighton's observation that "Power tends to corrupt, and absolute power corrupts absolutely," Keltner observed that, "unfortunately, having power renders many individuals as impulsive and poorly attuned to others as your garden variety frontal lobe patient, making them prone to act abusively and lose the esteem of their peers."

Keltner's piece is worth the read, and I'd recommend it to you if you are a leader at any time. We are being called on to do more and more work on intelligent leadership development so if you recognise any of the leadership challenges here, it's probably worth a few minutes' chat to see what we have developed. You can email me now, if you like.

Thoughts About Change

PROFITUNE BUSINESS SYSTEMS

(Time to read this article: 1 minute)

> He who rejects change is the architect of decay. The only human institution which rejects progress is the cemetery.
>
> *Harold Wilson*

> If you don't like something change it; if you can't change it, change the way you think about it.
>
> *Mary Engelbreit*

> It is not necessary to change. Survival is not mandatory.
>
> *W. Edwards Deming*

> Life is Change. Growth is optional.
>
> *Vince Lombardi*

> When we are no longer able to change a situation, we are challenged to change ourselves.
>
> *Victor Frankl*

> Change is inevitable - except from a vending machine.
>
> *Robert C. Gallagher*

> When you refuse to change, you're in a rut, and a rut is just a grave with the ends knocked out.
>
> *Peter Rowe*

Intransigence has its advantages. At least you always know what you'll be thinking tomorrow.
Retep Elttil

Want more stories?

More articles from previous newsletters available at the **Business Ideas Library**

PROFITUNE BUSINESS SYSTEMS
Better management, bigger profits

Peter Rowe
T: 07 5510 3555 F: 07 5510 3544 M: 0408 844 000 E: peter.rowe@profitune.com
Suite 401, 130 Bundall Road, Bundall, Queensland
PO Box 8917, GCMC, Queensland, 9726