

Charter

BACK TO THE FEUDAL

A surprising twist for global economics

THE CHINA SYNDROMES

The nuances of doing business in China

DON'T BELIEVE THE HYPE

Are productivity statistics flawed?

A portrait of Nicholas Barnett, a middle-aged man with glasses, wearing a dark pinstriped suit, a white shirt, and a green striped tie. He is looking directly at the camera with a serious expression. His hands are clasped in front of him.

PLAIN SPEAKING

Nicholas Barnett on why businesses
must look beyond profit to excite
and unite their people

**HONG KONG: DESTINATION OF
CHOICE FOR FINANCIERS**

**ROCCO LA BELLA
ON LIFE AFTER MKR**



The Institute of
Chartered Accountants
in Australia

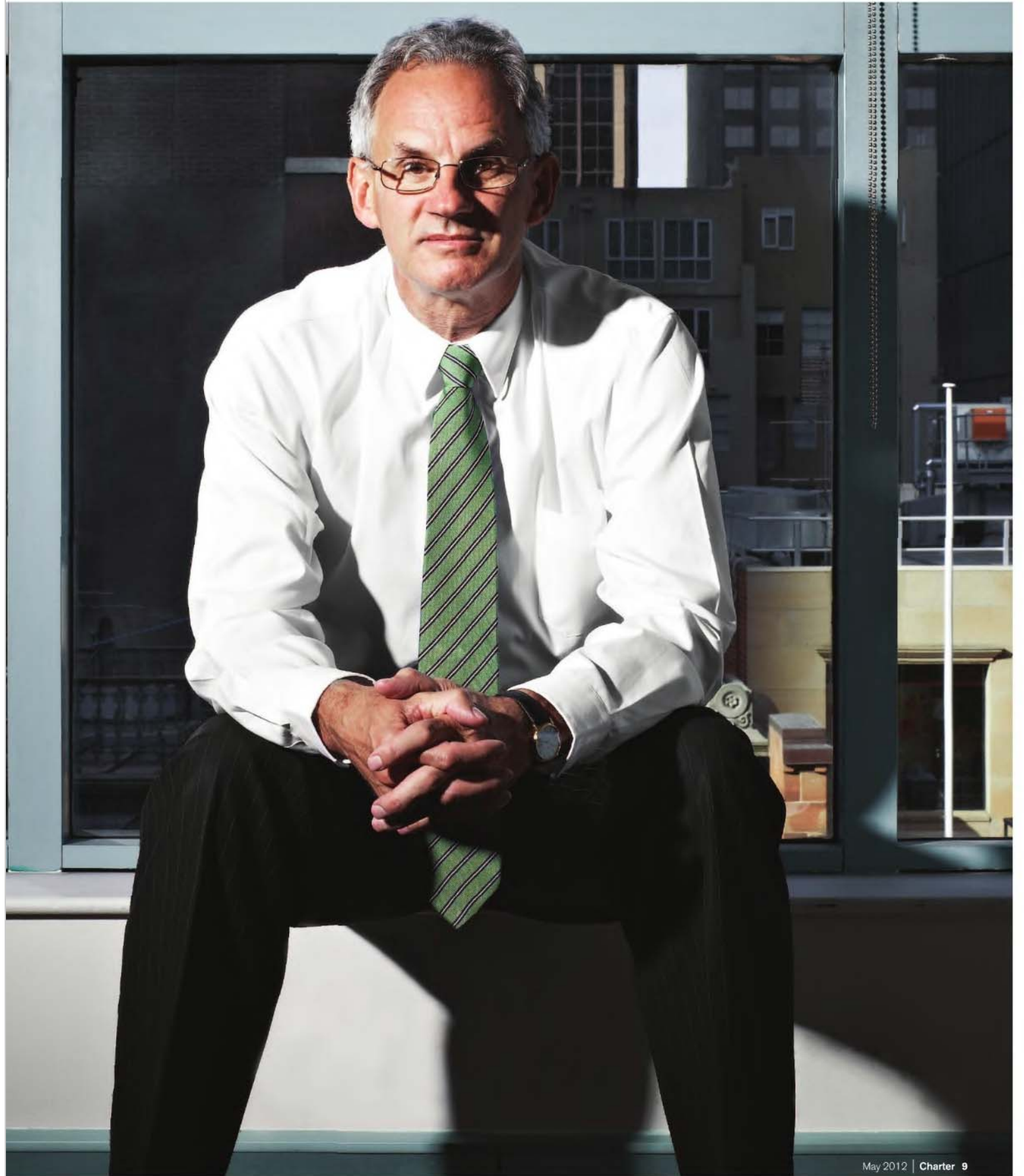
Tell it like it is

CORPORATE STRATEGY IS MEANT TO INSPIRE PEOPLE AND MAKE THEM FEEL PART OF A GREATER GOAL. BUT THAT'S IMPOSSIBLE IF STRATEGY IS BOGGED DOWN IN CONVOLUTED MISSION STATEMENTS AND JARGON. NICHOLAS BARNETT SAYS IT'S TIME FOR SOME PLAIN SPEAKING. BY LEON GETTLER

If you know where you're going, you can never get lost – *Herb Cohen.*

One reason why so many companies screw up and go off course is because they aren't clear about where they should be heading. Nicholas Barnett CA, a former KPMG partner who is now executive chairman of Insync Surveys, quotes author and management expert Ken Blanchard when he says business leaders need to know only two things. "One is to know you are going somewhere, you need clear mission values," he says. "Second, is that people need something to serve. Unless you can give people a worthy goal, then what are you going to give them? And if you don't give them something, they'll serve themselves, they'll become self-serving."

Barnett is scathing about companies and managers who set such goals as doubling their profit within five years, or delivering good money for shareholders. "If your purpose is



only to make money, then you're not going to inspire too many people," he says.

Barnett has created a model for boards, CEOs and managers in leadership teams. It's called GPS. Not global positioning system but it's a similar concept: guidance and positioning statements. He outlines how it works in his book *GPS For Your Organisation*.

The GPS, he says, consists of five statements comprising a total of 30 words. Distilling the vision, purpose and values of the business, it is short and sharp. All employees should remember the words. Get it wrong and the result is underperforming staff, mission drift and the loss of prospective clients because of uncertainty about what the business really stands for. The GPS identifies the 'where', 'why' and 'how' of the organisation's reason for existence.

The first is about the company's aspiration. How would you like your organisation to be regarded by others in five to 10 years' time and beyond? That's the 'where' part of its story.

The second has to do with its core purpose. What is its reason for being?

Why does it want to achieve its aspiration? That's the 'why'.

Thirdly, there are the company's core values. What are the values that are absolutely essential in order for the aspiration to be achieved? These values must be well articulated, embedded in the organisation's DNA and made part of the company's performance management and recognition systems. That's the 'how' part.

Then comes the organisation's 'golden goal'. This is the single most appropriate aspirational goal for the organisation to achieve in three to five years' time. It's all part of their aspiration but it's medium to long term thinking and tied to a timeline. As American author and time management guru Diana Scharf Hunt famously said, "goals are dreams with a deadline".

Finally, the company's GPS needs a tagline. These few words describe what is special or unique about the organisation, what sets it apart from its competitors in just a few words. The National Australia Bank (NAB) tagline is "More give, less take". In just four words, the NAB has committed itself to keeping its interest rates below that of its competitors and to

ensuring its cost base is lower than all the other banks. BHP Billiton's is "Resourcing the future", clearly forward looking and so much better than "We dig stuff out of the ground". The Ritz Carlton's used to be "Ladies and Gentlemen serving Ladies and Gentlemen", something that emphasised the link between the hotel, its employees and their customers. BMW had the elegant line, "Sheer driving pleasure".

Finely honed

Barnett's approach has been finely honed over the years. Growing up near Launceston in Tasmania, he came to Melbourne after finishing university in Hobart and in 1977 landed a job at the accounting firm Peat Marwick (which later became KPMG). He started in audit, before being sent to Taiwan to manage the firm's office there for 18 months where he, at the age of 22, was in charge of 60 Chinese employees and one American. Upon his return, he worked in insolvency where he was mentored by highly respected figures like Lend Lease chairman and longest-serving BHP Billiton director David Crawford FCA. He then went back into audit, but this time, he started advising companies on buying and selling businesses and on how to go about listing on the stock exchange. As a result, he was asked to set up the firm's corporate advisory unit in 1985. He was made partner in 1986 and left in 1988 to branch out on his own with the Barnett Consulting Group. For the next 12 years, he helped with the buying and selling of businesses, doing deals, negotiating and helping companies with strategy. "I sold coal mines, shirt factories, boat builders and plastics companies," Barnett says. "I sold many supermarkets to Coles and Woollies, I sold Dan Murphy's to Woollies and had a ball!"

He then got involved in a completely different field when he bought a recruitment company. Isis then went out and bought Ambit Technology, an IT recruitment company. He became CEO of Ambit IT recruitment and over the next five years, built it up tenfold to become the biggest IT recruitment company in Australia. When the business was sold in 2007, he bought out the survey part of the company, then trading under the name of Ambit Insights, changed the name to Insync Surveys and became its CEO. Insync conducts surveys of employee alignment and engagement,

PHOTOGRAPHS: KRISTIAN GEHRRADE



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customer engagement and satisfaction and board effectiveness. It also conducts specialised surveys into such issues as culture, gender diversity, as well as entry and exit surveys.

While his career is very different from where he started, he says his training as a Chartered Accountant has been absolutely critical. "You learn a lot about professional discipline, structured thinking, solutions, professionalism and you learn about clarity," he says.

Barnett acknowledges that developing a GPS is a challenge for any CFO or member of a company's financial leadership team. Traditionally, accountants are simply not trained to think like that, and they need to start developing a different part of their brains instead of being prescriptive with numbers.

"CFOs are normally rationally minded and with the process I am talking about, it's important to engage the rational and head but it's just as important to engage the emotions and heart. If you want to engage and inspire and energise you need to pull at the heartstrings.

"CFOs are really good at being clear and focused but most aren't really good at managing and inspiring and energising. They have to try and get those happening.

"They still need to connect and engage with people. The CFO needs to think more broadly, the CFO needs to engage the other part of their brain and have a new perspective." (For tips on lateral thinking, see page 34).

Understanding your marketing

Barnett says many companies make the mistake of spending lots on marketing and communications strategies without identifying the internal communications

setting the direction for everyone there. "They spend millions marketing themselves to the external world and they spend hundreds of dollars marketing themselves to the internal stakeholders," he says. "I wouldn't say it should be the other way around but there should be a significantly greater spend internally.

"It's all about authenticity. You can't tell people externally this is the way we are when internally you are something else. Aussies can pick a fake a mile off."

He also says many Australian companies have mission statements that are insufficient and don't say anything. The GPS needs to touch the core of the company and identify how it stands out from the pack.

One example, he says, is Telstra's mission statement, which claims the company aims to "build technology and content solutions that are simple, easy to use and valued by our customers". That sounds very much like Apple, Google and Microsoft. It does not identify Telstra's unique strengths.

"It could build all sorts of things that are totally irrelevant to its core business of being a great telecommunications provider," Barnett says. "Interestingly, being a great telecommunications provider doesn't get a mention in its vision and mission statements. Why on earth not?"

"I rely on my telecommunications provider for good, fast network connectivity at a reasonable price. I rely on Apple, Nokia, IBM and the like for my technology and Google, Fairfax, *The Economist*, the ABC and the like for my content. I certainly couldn't envisage relying on Telstra for my technology or my content solutions. It is my recollection that over the years Telstra has put out their own branded phone systems, and even a tablet, and most have been failures.

"If they were to partner with others to build technology and content solutions that might be something else but they don't say that's what they plan to do. I suspect that most of Telstra's shareholders would hope that Telstra refrains from spending too much of its shareholders money, either separately or with others, building technology and content solutions.

"I think most shareholders and customers would like Telstra to aspire to become Australia's leading telecommunications provider with the best and most

reliable network connectivity backed by the best customer service. Why wouldn't they stick to the basics and do those really well?"

Needing a compass

He says that employees need a compass, not a checklist, and the GPS is that compass. "Can you just imagine the difference if everybody in the leadership team, and everyone in the company with their eyes closed, was pointing in the same direction as to where the company was going? Can you imagine the benefit of that clarity, the focus, and the energy in management if everybody was on the same bus? You wouldn't have to ask questions about staff and it would make decision-making clear."

He says one of the big mistakes many companies make is reducing their mission, vision and golden goals down to profit. "They shouldn't focus on profit because that won't energise anyone," he says.

"I have this discussion all the time with people. They say 'our goal Nick is to double our return within five years'. Well that's great and it will excite your shareholders but I doubt it will excite people walking in through your door or people you are employing. You are more able to excite them if you come up with another measure."

How then does the company embed the GPS and make it part of their DNA? He says companies need to incorporate it into their induction processes and performance measurement systems, and that includes bonuses. And it means the GPS needs to be repeated until everyone gets it. "You have to decide to live it and you have to be like the grade three teacher and say it over and over again."

This is not to say that companies need to change models where, for example, managers are measured on something cash value added, computed by subtracting the 'operating cash flow demand' from the 'operating cash flow' from the cash flow statement. It is more about overlaying the GPS on top of those models.

With Barnett's GPS in place, companies would be forced to think long term and strategically, focusing on their customers and employees. Inconsistent processes, systems and behaviours would be eradicated. His GPS is a business revolution. 