



Manufacturers and Exporters Association
The independent voice of manufacturers and exporters

Productivity - The Elusive Target

By John Walley

ConnectME

Canterbury Manufacturers Association New Zealand Engineering Federation

Post election talk from National has provided some hope that the tradeable sector will be paid more attention in the coming term. Ambitious targets of increasing exports and matching Australia's per capita income by 2025, based on increasing productivity by three percent per year have emerged, but have been backed up by little substance. Yearly reviews of progress towards these targets, however, are a positive step as they should demonstrate the need for economic reform.

The election campaign saw little in the way of innovative policies from the parties, with lip service paid to increasing exports and productivity while the money went into tax cuts aimed at the middle ground voters. This has left the tradeable sector waiting in anticipation for meetings with the National led Government's newly appointed ministers on these unresolved issues.

Despite the apparent confusion over how productivity targets should be tackled, the solutions are remarkably simple:

1. Stop using interest rates as an anti-inflation mechanism and let our trade performance influence exchange rates free of speculative pressure.
2. Incentivise (using the tax system) investment in innovative and productive activity.

The ability to predict returns is key to any long-term investment decision so competitive interest and exchange rates are vital precursors of investment. If there is any doubt over the detrimental impacts of high interest and volatile exchange rates, a look at the decisions of investors exposes the problem. The majority of loans in New Zealand are on a fixed rate, demonstrating the desire to eliminate the affects of fluctuating market rates. Trade dependant businesses look for the same protection through currency hedging. This shows the desire to reduce the volatility and therefore better fix the risk of their transactions.

The risk factor is particularly difficult for small to medium enterprises to deal with. Large and well established companies are able to hedge affectively, for a period of time, but smaller firms with little capital may lack the means, and perhaps the know how to do this. Uncertain returns can also prevent larger firms from making investments targeted at capacity and productivity growth.

Investment must lead innovation and productivity growth. That means investment in R&D must be encouraged to develop new and more innovative products and processes. Supportive tax treatment of patent and plant investments would ensure that more innovative products and more productive processes are created and operated in New Zealand.

At this point the Government's plan seems to be to maintain the status quo, or perhaps make changes around the edges. An incrementalist approach may slow New Zealand's slide down the OECD wealth rankings, but seems unlikely to be enough to generate an economic resurgence. A broadband and roading spend-up, combined with cost cutting in the Government sector will help, but arresting the 35% wage gap evident between New Zealand and Australia will take much deeper, structural changes.

The Government will need to take a more aggressive approach towards lifting private sector investment in productive activity if it is serious about achieving any significant improvement in economic performance. This combined with more infrastructure spending would be a winning formula. At this point we can only hope that a change in leadership will spur faster progress, and that the new Government listens to the voices from the real economy on what needs to be done to make a material difference.

December 08 / January 09 - Inside this issue:

Commentary	1	Make Your Mark...Before Someone Else Does	7
Media Release	2	Weak Financia80	8
Change Management in Times of Change	3	Key Performance Indicators (KPIs)	9
Planning for Change	4	Directorship not for the Faint Hearted	10
A Christmas Carol	5	New Qualification Designed to Fit Industry Needs	10
Special Interest Sessions	6	MEAssist	11
Workshops/Programmes	6	What's On	12

visit our website ...
www.mea.org.nz

The Gloom Continues

The latest New Zealand Manufacturers and Exporters Association (NZMEA) Survey of Business Conditions completed during October 2008, shows total sales in September 2008 increased 14.0% (export sales increased by 47.5% with domestic sales decreasing 13.4%) on September 2007.

The NZMEA survey sample this month covered NZ\$500m in annualised sales, with an export content of 58%.

Net confidence is at -91, our worst ever result, down from the -22 result reported last month.

The current performance index (a combination of profitability and cash flow) is at 92.5, down from the previous month's 97, the change index (capacity utilisation, staff levels, orders and inventories) is down to 98 from 99 last month, and the forecast index (investment, sales, profitability and staff) is at 95, down from 102 in August. Anything less than 100 indicates a contraction.

The reported constraints were: 9% staff and markets 91%.

Staff numbers for September increased year on year by 7.94%.

"The all time low confidence number for September reflected the bad news from around the world as the impact of the financial crisis threatens the real economy. This shows that even some good short-term sales results are not an antidote for more global concerns," says NZMEA Chief Executive John Walley.

"The numbers indicate good export sales growth pulling up overall sales. Staff numbers also increased, but the market and financial crisis had a severe impact on confidence. Our respondents are niche producers and can be countercyclical, doing well when most are suffering or suffering when most were enjoying a higher dollar. Nearly everyone is expecting the pain to both spread and worsen before the situation improves."

"Favourable exchange rates, falling interest rates, and falling input prices on oil and metals are being overshadowed by credit worries. Until now there has only been speculation about the affects of restrained credit, but issues with letters of credit and working capital have the capacity to really foul up trade."

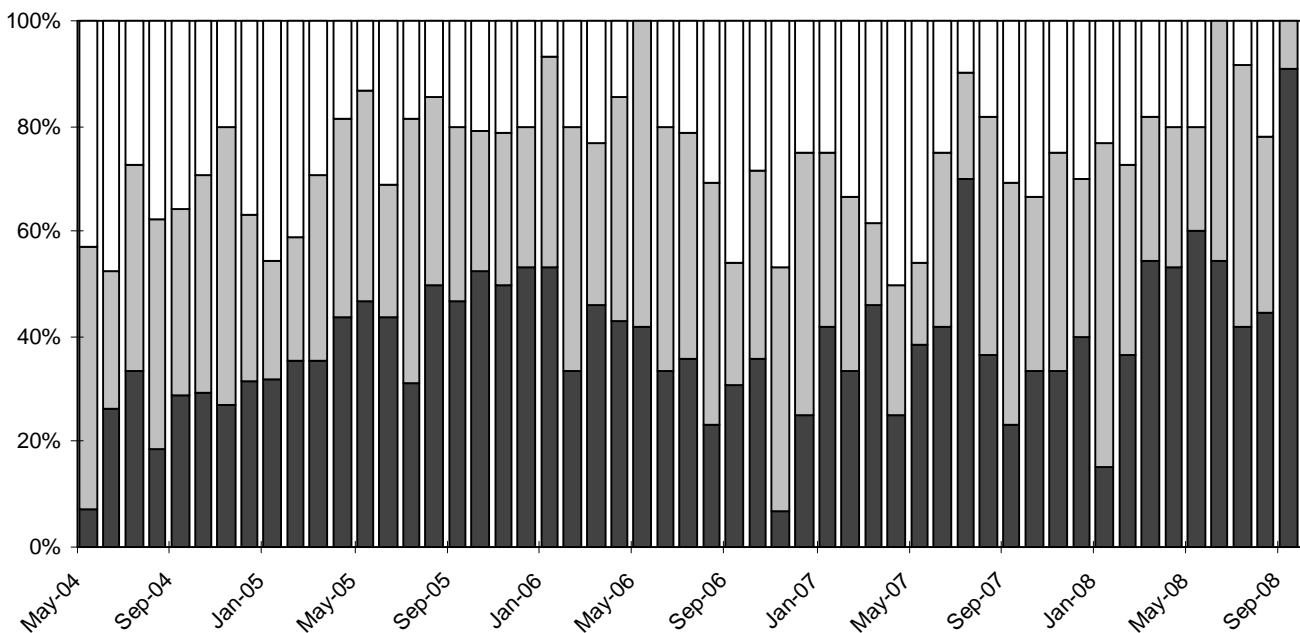
"Under normal circumstances when we see the dollar falling, input prices dropping, staff increasing and sales improving, we would expect to see much more optimism, but not right now," says Mr. Walley.

"The sales numbers show that when conditions improve our exporters can respond. Unfortunately, our policy settings ensure that when international demand is strong, our overvalued currency prices New Zealand exporters out of the international market. Our dollar is less attractive when the world has credit or other worries and slows down, meaning that the benefit for exporters is limited and short-lived."

The New Zealand Manufacturers and Exporters Association survey gathers results from members around New Zealand. It provides a monthly snapshot of manufacturers and exporters' sales and sentiment.

Confidence

■ Negative □ No Change □ Positive



Change Management in Times of Change

An unfortunate but obvious symptom of a sustained economic recession is the potential for company restructurings and consequent redundancies. With the media headlines awash with reports of significant job losses, both nationally and internationally, it is timely to brush up on the legal requirements of restructuring; procedurally and substantively. In the current climate a significant number of restructurings will be aimed at reducing costs for businesses. Even if the restructuring is found to be genuine and substantively justified, the employer will still be held accountable for any procedural failure or breach of good faith.

As a general guide, a restructuring process should include the following elements:

Substantive Justification

- ÿ It should be established that there is a genuine operational requirement for restructuring. Whereas a decision to make an employee's position redundant due to valid commercial reasons will generally be considered genuine, restructuring must not be used as a 'sham' to bring about the termination of employment where a performance management or disciplinary process is more appropriate. The subsequent actions of the employer may also be relevant in terms of establishing the genuineness of the process.

Procedural Requirements

- ÿ Formulate the Company's preliminary view/proposals. The proposal should include the changes being considered and the impact on the employee(s) if implemented. Any procedural requirements contained in employment agreements or policies and procedures must be taken into account when preparing the proposal.
- ÿ The employer should advise those employees potentially affected of the proposal and the outcome for those employees if the proposal is implemented. There is a fundamental duty upon the employer to consult with the employee before making a decision regarding whether to implement the proposal. Specifically Section 4 of the Employment Relations Act (ERA) 2000 states that the duty of good faith requires an employer in a redundancy setting to allow the employee access to information relevant to the continuation of employment and an opportunity to comment before a decision is made. Employees should be encouraged to seek advice and to have a representative/support person present at any consultative meetings.

- ÿ If the proposal envisages that one or more of a number of similar positions will be disestablished, the employer has an obligation to consult regarding the proposed selection criteria to be applied if the proposal proceeds, to determine which position(s) is selected for redundancy.

- ÿ There should be a reasonable period of time allowed between advising affected employees of the proposal and seeking feedback on the proposal. The employee needs sufficient time to consider the proposal, to compile the feedback and the opportunity to seek legal advice/representation; how long this will be will depend on the circumstances.

- ÿ The employer must consider any feedback provided by the employee before making a final decision on whether to implement the proposal. Even if the employee chooses not to provide feedback, the employer should take time to consider the proposal and any viable alternatives which may exist before implementing the proposal.

- ÿ It is useful at the outset of the process to include a time-line to give the employee an indication of when meetings will take place and when decisions will be made.

- ÿ Once the feedback has been obtained and carefully considered, a decision must be made regarding the proposal. If the proposal is to proceed, any alternative options to redundancy should be canvassed with the employee, such as redeployment to a different role within the organisation. If no alternatives exist, the employer should advise the employee of its decision and comply with any notice and compensation requirements.

- ÿ Depending on the resources of the employer, it may be appropriate to consider offering assistance to redundant employees, such as outplacement assistance, EAP counselling and CV preparation.

The above is a basic outline of the requirements of a restructuring process, however we strongly recommend advice is sought before embarking on such a process.

This article was provided by McPhail Gibson & Zwart. If you require further information relating to this topic please contact us on email: mea@mea.org.nz or phone: 0800 353 2540.



Planning for Change

Identifying growth opportunities and planning for change are the big issues confronting businesses, according to the ANZ Privately Owned Business Barometer¹. However, current market conditions make doing so a challenge for businesses the world over.

Running almost in a counter direction to those market conditions, are the positive moves to open trade horizons. The long awaited Free Trade Agreement with United States, through the P4 grouping of New Zealand, Chile, Brunei and Singapore, is now a prospect. This would add to the arrangements already in place between New Zealand and China, and the ASEAN, Australia and New Zealand Free Trade Agreements.

Some business owners will delight in what they see and start positioning for the opportunities. Others will decide it is time to look at the long term future ownership of their business. Either way, the important aspect is to anticipate the impacts and plan for the changes the business must make, and the changes the owner wants to make. Yes, the two are different. Stakeholders change, the business often lives on.

At ANZ, we see this constantly with our customers:

- Young companies and new owners tend to focus on growth and have more appetite for risk as they build.
- The next phase is usually consolidation, with a focus on building valued relationships with customers, suppliers and advisors.
- This is often followed by a further period of strong growth as the business advances, such as making a step-change through the acquisition of competitors or by targeting high growth in new markets or products. New partners may be introduced with capital or skills to drive this phase which may also be the trigger for the staggered exit of the original owner.
- Sometimes it is the change of ownership that kicks off the rapid growth cycle again.

The key points in all these scenarios are the need to plan for change and recognise that the needs of the business as an entity, and the needs of the business owners change through time. Planning for both needs can identify new opportunities to create wealth.

Now, I know many reading this will be thinking that sounds fine in principle – but it's not so easy when the future holds uncertainty. However, whatever the market conditions, the important element is having an end goal and planning how to get there. The process will create options and opportunities and provide the decision making tools.

And yes, goals will evolve as conditions in markets and the needs of the business change.

While many businesses now have boards of directors or an independent adviser to assist in developing the strategic direction, a third still don't. There is also a wider use of outside expertise to assist in identifying growth options, though many still balk at the projected cost.

The other source of expertise is probably already on the payroll – the senior management team. Engaging these people can unleash new energy and drive the performance of the business to new levels.

How these people are rewarded can also be instrumental in the long-term plans of both the business and the current ownership, through the creation of a succession mechanism. Often senior management is overlooked as a source of potential successors. Although many owners believe management is capable of taking over, few are aware that funding may exist, from providers such as ANZ, to enable managers to do so.

ANZ has now been involved in a number of these transactions and has developed considerable knowledge in assisting with management buyouts and allowing present owners to release capital.

We've now gone one step further and formed a specialist "Privately Owned Business Team". This is a group of specialists available to work with business owners around a planning process and point to others who can help in achieving growth and change.

If you would like to explore these topics more or meet the "Privately Owned Business Team", contact Samuel McCully on 03 364 5306, email Samuel.McCully@anz.com or Hamish Bell on 09 374 4188, email hamish.bell@anznational.co.nz.

¹ The ANZ Privately-Owned Business Barometer 2008 available at www.anzbarometer.co.nz. ANZ, part of ANZ National Bank Limited, a subsidiary of Australia and New Zealand Banking Group Limited (ANZ Group).



At ANZ, we have a large team of dedicated and experienced Relationship Managers committed to helping medium to large businesses grow and realise wealth.

Contact us:
 Craig Kiesanowski - Financial Markets (364 5333
 Michael McCrea - Corporate Banking (364 5348
 Carlyle Boyd - Commercial Banking (371 4712

We appreciate the support by the ANZ Institutional Corporate & Commercial Banking in sponsoring 'ConnectME'.

A Christmas Carol: Santa meets the Health & Safety in Employment Act

It was the month before Christmas and all was not well at Santa's Toy Manufacturing Company at the North Pole. Rudolf, a timid reindeer and aspiring sleigh-puller, had been seriously injured at work. The OSH investigation was underway and Santa now waited to learn if he would be the subject of a prosecution under the Health & Safety in Employment Act 1992.

Fortunately, Santa was familiar with the Act, having brushed up his knowledge following a nasty accident last Christmas Eve at the rival company, St Nick's Enterprises. Santa had made sure that areas of thin ice around his factory caused by global warming had been marked clearly. The sleigh had also been serviced and the WOF was up to date. This year, sleigh drivers would benefit from having taken an advanced sleigh-driving course.

Santa knew that most offences under the Act were for breaches of duties owed by employers under Part 2 of the Act. As an employer, he had to take "all practical steps" to fulfil a duty to ensure the safety of his employees. This phrase meant all steps that were "reasonably practicable" in the circumstances. These circumstances included the nature and severity of the potential harm, the level of knowledge about the likelihood of the potential harm, and the level of knowledge of the means available to prevent the harm. The availability and cost of safeguards was also a relevant factor. If prosecuted, Santa would have to defend himself by providing evidence which would allow a Court to find that he had indeed done all that was 'reasonably practicable'. Santa couldn't get rid of the thin ice at the North Pole, but he could show that he had taken all practical steps to reduce the risk it posed.

Identification and systematic management of workplace hazards was the key. The word 'hazard' was widely defined under the Act and could include any "activity, arrangement, circumstance, event, occurrence, phenomenon, process, situation or substance that was an actual or potential cause or source of harm".

Santa knew this could cover pretty much any workplace

occurrence which might cause injury. But he also knew that he was required only to take steps in respect of hazards he knew about or ought reasonably to have known about. Santa was not expected to be an absolute guarantor of safety, but neither could he turn a blind eye to potential hazards.

All in all, Santa was expected to have a system in place for actively identifying and managing hazards at work. One of the elves now acted as the "Hazard Manager" and made frequent use of information and tools from the OSH website. Once identified, each hazard had to be eliminated, isolated or minimised. The hazard posed by thin ice couldn't be eliminated, for example, but it had been effectively isolated. Likewise, presents were no longer piled too high on the sleigh and elves wore hard hats while on the factory floor. This year, Santa had also decided to wear a bright red suit for the first time, so that any risk he could not be seen by passing aircraft was minimised (the suit was, however, a special kind of red which couldn't be seen by children).

As well as helping to ensure employee safety, Santa's system for identifying and managing hazards would also help to provide the factual basis to illustrate to any Court that Santa had taken 'all practical steps' to comply with his duties as an employer. An unforeseen hazard which caused injury when such a system was in place would be unlikely to mean the employer was liable under the Act.

Fortunately, the OSH investigation concluded that Rudolf's injury was the result of an unforeseen hazard which neither Santa nor his company could reasonably have known about. In the end, Rudolf would just have to learn to live with his Red Nose... Merry Christmas!

This article was provided by Lane Neave. If you require further information relating to this topic please contact us on email: mea@mea.org.nz or phone: 0800 353 2540.

New freight line.

Pacifica's new east coast shipping service links Auckland, Tauranga, Lyttelton and Dunedin on a weekly schedule. It's your reliable, efficient and cost-effective freight line.

- ❖ Two-three day port connections, every week.
- ❖ Slots for 700 TEUs, 120 for reefer boxes.
- ❖ Direct cargo trans-shipments to/from hub ports.
- ❖ Safe and easier on the environment.

For full timetable details, go to: www.pacship.co.nz or contact your local Pacifica Shipping office today.

Auckland 09 634 5955 • Tauranga 0800 722 744 • Christchurch 03 328 7011 • Dunedin 03 477 1080



Special Interest Sessions

For more information on the Special Interest Sessions and to register on-line visit: www.mea.org.nz, select Events/Training for the full list of events. Or you can contact us on: 0800 353 2540 or email: mea@mea.org.nz.

Invitation to an informal meeting with Dr Alan Bollard, Governor of the Reserve Bank
Friday 30 January 2009, 2.45pm

You are invited to an informal meeting with Dr Alan Bollard, Governor of the Reserve Bank. This annual event is your opportunity to share and exchange views with the Reserve Bank.

This meeting is "off the record" to encourage open and frank discussion.

Workshops/Programmes

Workshops are open to all members of your staff, members and non-members of the NZMEA. For more information and to register on-line visit: www.mea.org.nz, select Events/Training for the full list of events. Or you can contact us on: 0800 353 2540 or email: mea@mea.org.nz.

Date:	City:	Event:
Starts Monday 16 February	Christchurch	Certified in Production and Inventory Management (CPIM) -Basics of Supply Chain Management (Five half days)
Starts Tuesday 17 February	Christchurch	Certified in Production and Inventory Management (CPIM) -Detailed Scheduling and Planning (Five half days)
Wednesday 4 March	Christchurch	Effective Direction of Your Manufacturing Business -Breakfast Workshop (Half day)
Thursday 5 March	Christchurch	Dealing with Difficult People -Workshop (Half day)

Manuals & Training Resources for Canterbury businesses since 1999

- ü Sales & order management
- ü Logistics
- ü Factory SOPs
- ü Machine manuals
- ü Health & safety
- ü Finance & administration
- ü Human resources
- ü Payroll
- ü ERP user manuals & on-line help
- ü Customer manuals
- ü Custom built for your business.
- ü Easy to use and understand.
- ü On-line and on paper.
- ü Always up-to-date.

www.streamliners.co.nz



Make Your Mark...Before Someone Else Does

So you've had a great idea for a business, hired some excellent staff, and found the perfect site....but how are you going to make your mark?

Mark of a Good Business

These days a "trade mark" can be anything that distinguishes your business from other traders, including a name, logo, colour, sound, taste or even a smell.

The value of a great brand will often exceed the annual turnover of the business. However, before deciding on a trade mark and launching an extensive marketing campaign, it is essential to ensure that:

- You are free to use your chosen brand – your mark should not infringe another trader's mark, as doing so may lead to you being sued or at least prevented from using a mark you have spent substantial amounts in developing.
- Your trade mark is distinctive – your mark should be capable of gaining a sufficient reputation that other traders would breach your rights in the mark if they used the same or a similar mark.

It is therefore important to consult a good patent attorney or intellectual property lawyer when devising a brand and to ensure you adopt the best strategy for protecting and exploiting your trade mark, as well as getting the most out of other intellectual property rights in your business.

Protecting Your Good Name

Despite the potential value of trade marks and their pivotal role in the marketing of any product or service, it is surprising how frequently businesses adopt marks which are non-distinctive and hard to protect and/or fail to take the appropriate steps to own their marks.

Once you have chosen a strong trade mark, it is essential that you establish ownership of your mark through trade mark registration in the markets where you intend to trade.

Many businesses think that registering a company name with the Companies Office and/or registering a domain name is sufficient to protect their mark. However, a company or domain registration gives no automatic proprietary right to a name and different entities can in fact own extremely similar company or domain names. For example, Wiz Limited might own the domain name www.wiz.co.nz which provides trade mark registration services, but another business would be able to register the company name Wiz TM Limited and the domain name www.wiz.net.nz and also be provided trade mark registration services.

In addition, although unregistered trade marks may have some protection under common law or the Fair Trading Act, failure to register a mark means that to enforce your rights against another business will require the lengthy and costly process of:

- showing that a reputation has been established in the mark in the geographical area in question; and

- establishing that the trade mark of the other business is likely to deceive or confuse consumers.

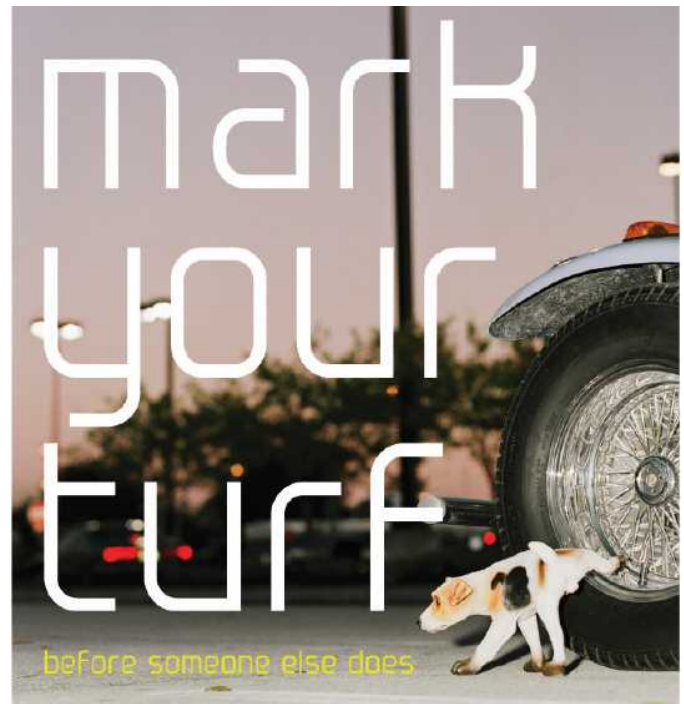
In comparison, registering your trade mark may cost as little as \$100 plus GST and grant you a national monopoly which can be renewed every ten years.

Worth of Protection

So, what is the answer to that age old question of "What's in a name?" If you haven't selected, cleared and protected the name properly, then your brand could be a liability which will ultimately stop your business from growing. Do it right, and you could find yourself owning a valuable brand which you can leverage to expand your business.

It is possible to apply for registration of a trade mark directly with the Intellectual Property Office, but IPONZ cannot provide you with legal advice in getting the scope of your monopoly correct. Therefore, if you want a strong trade mark registration, contact an intellectual property specialist or check out www.ipol.co.nz which enables you to draft a professional application yourself but avoid the professional fees usually attached.

This article was provided by James & Wells Intellectual Property. If you require further information relating to this topic please contact us on email: mea@mea.org.nz or phone: 0800 353 2540.



ipol.co.nz is the new, easy, online place where you can secure and protect your trademarks - the essence of your identity.

So visit www.ipol.co.nz and make sure you let everyone know what's yours is yours.

Fees are fixed, upfront and incredibly low. You only pay for what you want. It's that simple.

www.ipol.co.nz

Intellectual
Property
Online



Weak Financial Conditions – Strong Terms of Trade Required

With the New Zealand economy currently in recession following the international credit crunch and most economists tipping 2009 to be a very difficult year, businesses will need to ensure that they have robust terms and conditions for their customers in place. Contractual disputes often arise where the customer has difficulty paying. It is therefore important to ensure that terms and conditions of trade and engagement minimise this risk.

Below we outline issues to be aware of:

1. Price – this is a simple point but it is surprising how often it comes up in contractual disputes. What was the agreed cost for the provision of the goods or services? Was the cost estimated or quoted? It will be important that your terms and conditions provide some certainty as to how the goods or services are being priced to avoid a subsequent dispute in relation to this issue. It is important also to have clarity as to whether GST is included or excluded.
2. Scope – it is important that the terms and conditions provide sufficient detail about the goods or services being provided and what is included in the contract and not included in the contract. Often disputes arise in relation to the scope or specifications of the contract with the purchaser stating that certain goods or services were to be included, and the provider, on the other hand, stating that they are in addition to and therefore extra. Well drafted terms of contract will provide clear detail as to what is included, and what is not included, either in the terms themselves or by reference to specifications on purchase orders, whatever is appropriate. There should also be provisions dealing with variations to cover additions and extras.
3. Interest – when seeking to recover a debt or charge interest in relation to late payment, you will not have the contractual right to do so unless this is stated in the contract or terms. In the event that you are ultimately successful in obtaining judgment, the Court will only award the judgment rate of interest which is likely to be significantly lower than a penalty rate of interest payable in the terms that it is specified in the contract.
4. Solicitor/Client Costs – the terms and conditions should provide for the recovery of solicitor/client costs i.e. your full legal costs in pursuing and recovering the debt. This allows you to recover those costs in full. In the absence of such a provision, you are only entitled to scale costs as awarded by the Court, which may not be equivalent to your full legal costs.
5. PPSA – many terms and conditions have not yet been updated to deal with the new provisions of the Personal Property and Securities Act 1999. It is no longer sufficient to simply have a one liner at the bottom of the invoice saying “title is retained in the goods until such time as payment is made”. Such reservation of title clauses are a “security interest” under the PPSA, and for a security interest to be enforceable it needs to be signed by the customer or the customer needs to have agreed to the terms by letter, telegram or email. For the security interest then to have priority ahead of other security interests over the same goods, it must be registered on the PPSR. For example, a registered security interest in respect of the supply of goods by the manufacturer to its customer, creates a super priority giving the manufacturer or supplier of the goods priority, ahead of the customer’s bank. In the event that the customer goes into receivership, the manufacturer will be able to repossess and sell the goods ahead of the bank.
6. Personal Guarantee – customers are reluctant to give personal guarantees on goods supplied. However, it is recommended that standard terms and conditions provide for a personal guarantee which may be able to be negotiated on a case by case basis. In the event that a customer has been slow in paying, you may wish to agree to continue to provide goods or services on the basis that the major shareholder and director guarantees payment going forward.

Good terms and conditions are relatively inexpensive to prepare but are invaluable in the event that you need to seek recovery or a dispute arises.

Unfortunately in difficult financial times, human nature being what it is, there is a tendency often to dispute the amount owing, rather than admit that they are unable to pay the bill.

This article was provided by Goodman Steven Tavendale Reid. If you require further information relating to this topic please contact us on email: mea@mea.org.nz or phone: 0800 353 2540.

Key Performance Indicators (KPIs)

"Tell me how I am measured, and I will tell you how I will behave." (Eli Goldratt)

I am following on from the article written by Mackay Bailey Butchard Ltd in the November 2008 "ConnectME" newsletter. This article highlighted the issue of measurement. The comments made in that article are very pertinent and relevant. I have put the world of TOC (Theory of Constraints) to that content, for a different perspective.

There are many measures, some are formal and some are informal. Behaviours tend to be closely related to those measurements, and sometimes "bizarre behaviour" is related to some informal measure of expectation that has arisen many moons ago, but is still considered relevant.

How many times are reports written and they are never read in a way that is meaningful? Meaningful being, in a way that helps the organisation achieve its goal(s). I have seen some organisations with 20 – 60 KPIs, and everyone is charged with the responsibility of making the KPI's improve. The problem is that many of the KPIs are in conflict with one another, and then managers are in conflict, which leads to an organisation that is misaligned.

There is a fundamental measurement conflict at play, which can be described as follows:

In order to manage well
we must control cost
in order to control cost
we must measure at a local level
because local impact is equal to the
impact on the organisation.

On the other hand:
In order to manage well
we must protect throughput
in order to protect throughput
we must measure at a global level
because local impact is NOT equal to
the impact on the organisation

The conflict impacts us between measure at a local level and measure at a global level, and there is no satisfactory compromise. We are driven to choose between the measurement method based on our assumptions of "cost" control.

Almost every time we take an action that saves cost, we compromise throughput, and almost every time we take an action that supports throughput, we increase costs. What we want are measurements that increase throughput and have costs in control. To find a way to do this, we must invalidate one of the assumptions, one of the "because's". If an assumption is invalid, then that part of the conflict can be "evaporated"! Then a solution is more evident.

The assumption that the sum of local impact equals global impact can be shown to be false. Think of it this way, if we save five peoples jobs, then the business will make more money. This is very rarely true.

So, why don't we disband all local measures and replace these with just global measures? So try this:

Operational KPI's for the whole business, all employees

- Y More Throughput T, (money from customers less money paid to vendors)
- Y Less Inventory I, (things that we invest in that can be turned into throughput, inventory, fixed assets etc.)
- Y Less operating expenses OE (costs of converting inventory into throughput)
- Y More Net Profit (T-OE)
- Y Less Lead Time (LT)

KPI's for the senior management

- Y More ROI (Net Profit/I)
- Y More Cash Flow (Net Profit +/- in I)

If everyone was charged with the responsibility of making decisions that moved each of the above KPIs in the right direction, then something would really happen that would move a business towards its goal. And the operational KPIs can generally be determined very easily on a regular basis, enough to cause a behaviour change to get more of what we want.

I acknowledge Mackay Bailey Butchard Ltd and Eli Goldratt of Goldratt Consulting. This article was provided by ViAGO. If you require further information relating to this topic please contact us on email: mea@mea.org.nz or phone: 0800 353 2540.



We wish all our members a very safe and happy holiday season, and a most successful 2009. Thank you for your continued support over the past year.

**From everyone at the NZMEA and Mancan House;
Andrea, David, John, Leanne, Maggie, Peter, Tom, Tonia, Trudy
and Verity.**

**Our office will be closed from 5pm, Friday 19 December and will
re-open at 8am on Monday 12 January, 2009.**

Directorship not for the Faint Hearted!

The recent news item of a Deputy Registrar of Companies banning the directors of a failed finance company illustrate that being a Company Director certainly can be testing, especially if no effort has been made to understand and meet the legal obligations of directors and the company.

When a business is running well, or when economic conditions are providing continued good times, being a company director can be very enjoyable, but the real test of the effectiveness of the Board can be when a downturn occurs. Then, how well the members of a Board understand and perform their obligations, is really tested.

The Directors of the failed company, in the opinion of the Registrar, did not undertake the duties they should have and he found that "both then and now, these directors do not understand their duties and responsibilities as company directors". Court rulings have also made it clear directors cannot avoid their responsibilities because they did not actively participate in decisions, were not aware of them or had relied on others.

So what should directors do to protect their company from business failure and themselves from failure to undertake their duties?

Some options are:

- ÿ Make a concerted effort to gain an understanding of the statutory and legal responsibilities of Directors.
- ÿ Put in place Board policies to ensure the company's statutory and legal obligations are met. This may require using external specialists to certify the company's compliance with statutory obligations, in the same manner many companies do in meeting their Health & Safety obligations.
- ÿ Regularly review how well the Board performs in meeting its responsibilities and obligations.

- ÿ Consider using an internal audit sub-committee to review compliance with the Board policies and its responsibilities.

When is a good time to start checking on the Board's performance? Well there is no time like the present. It is important to focus on the critical issues relevant to the business conditions of the day, gradually correcting the Board's performance in meeting its obligations over the months to come and as part of its normal meeting process or annual review.

Risk is part and parcel of any business activities; the Board's role is to lessen that, wherever possible, by having good oversight of risk management and their own risk mitigation policies. A company exposes itself to a certain level of risk to satisfy the return expectations of its shareholders, but it cannot do so outside of meeting statutory responsibilities.

Not meeting the legal and statutory responsibilities of the company and directors should be a risk the Board ensures it removes absolutely.

The key element in business risk mitigation and management is correctly balancing risk and control. It can be difficult in tough times to undertake this task, but the sooner any risk that the Board is not performing is mitigated, the better.

Certainly ignorance of meeting its statutory responsibilities is no defense, as the experience of the directors of the failed finance company has demonstrated.

This article was provided by Livingstone Business Consultants Ltd. If you require further information relating to this topic please contact us on email: mea@mea.org.nz or phone: 0800 353 2540.

Competenz INDUSTRY TRAINING

New Qualification Designed to Fit Industry Needs

If you're looking to boost productivity and upskill staff, a new qualification has been developed to help you get there.

The National Certificate in Manufacturing (Metal and Related Products) has been developed by industry training organisation Competenz after three years of consultation and fine-tuning.

The new MMRP qualification (levels 2-4) is now registered on the National Qualifications Framework and is attracting trainees around the country.

It replaces the outgoing National Certificate in Manufacturing and Mechanical Engineering (MME Levels 1-4).

Competenz has worked closely with industry to ensure the course meets the specific skill sets and knowledge base needed by those involved in manufacturing metals and related products.

For more information, contact the Competenz customer services centre, phone: 0800 526 1800 or email: info@competenz.org.nz.

ME Assist

To network with other Members or get assistance
from our Associate Membership contact:
meassist@mea.org.nz or call 0800 353 2540

Our Associate Membership includes a wide range of specialists, consultants and service providers who can assist Association Members with:

Ø Strategic Business Development	Ø Condition Monitoring - Products & Services
Ø Business & Technology Planning	Ø ERP, MRP Solutions
Ø Business Coaching	Ø Supply Chain Management
Ø Market Research & Marketing	Ø IT Systems – Design & Implementation
Ø Export Marketing	Ø Website & Software Development
Ø Advertising & Branding	Ø Industrial Automation & Control
Ø Communications & PR	Ø Recruitment & Selection
Ø Import & Export	Ø Human Resources Management
Ø Customs, Logistics & International Freight Forwarding Services, <u>plus 'less-than-container' services</u>	Ø Conflict Resolution & Mediation
Ø Finance, FOREX & Banking	Ø Employee & Immigrant Settlement Management
Ø Accounting, Payroll & Tax	Ø Management, Leadership & Team Training
Ø Investment Capital	Ø Training Analysis
Ø Insurance	Ø Knowledge & Information Management
Ø Debt Collection	Ø Employment Law
Ø Business Sales & Valuation	Ø Change Management
Ø Research & Development Services	Ø Temporary Staff
Ø Product & Prototype Development	Ø Technical Publications
Ø Intellectual Property & Patent Registration	Ø Business Graphics & Printing
Ø Total Product Design	Ø Energy, Water & Waste Auditing
Ø Engineering Analysis, CAD & FEA	Ø QC & QS Management
Ø Internet Telephony	Ø Health & Safety Systems & Training
Ø Project Management	Ø International Travel
Ø Operations Management	Ø Fire Evacuation & Compliance
Ø Theory of Constraints	Ø Drug Testing
Ø Lean & Agile Manufacturing	Ø Maintenance & Asset Management
Ø Kanban, Production Planning & Scheduling	Ø Factory & Plant Efficiency & Utilisation
	Ø Strategic Pricing

We facilitate relationships and transactions between manufacturers and exporters FREE of charge.

Where the Association facilitates a transaction with Associate Members a standard charge, or referral fee applies. This is invoiced to the Associate Member providing the service. These fees vary between Associates and reflect a wide variety of pricing models. The fee is constructed to be less than the usual marketing overhead recovery component of an Associate's pricing which enables a saving for Associates while using competitive market pricing which benefits all parties involved.



We appreciate the support of Copy Quality,
the all digital copy centre.

City Branch - cnr Manchester St & Cambridge Tce
Riccarton Branch - 213 Blenheim Rd
Phone: 963 8899 / Fax: 366 1956
Website: www.copyquality.co.nz

what's on

Monday

Tuesday

Wednesday

Thursday

Friday

1 Westland & Chatham Islands Anniversary	2	3	4	5 Furniture Group Meeting
8	9	10	11	12
15	16	17	18	19 NZMEA Office Closedown
22	23	24	25 Christmas Day	26 Boxing Day
29	30	31	1 New Years Day	2 Day after New Years
5	6	7	8	9
12 NZMEA Office Opens	13	14	15	16
19 Wellington & Southland Anniversary	20	21	22	23
26 Auckland Anniversary	27	28	29	30 RBNZ Presentation with Dr Alan Bollard

visit our website ...

www.mea.org.nz



253 Cambridge Terrace,
Christchurch 8013,
New Zealand



PO Box 13152,
Armagh,
Christchurch 8141,
New Zealand



Phone: +64 03 353 2540
Fax: +64 03 353 2549
Freecall: 0800 353 2540



mea@mea.org.nz
www.mea.org.nz