

LATEST: Ithaca wins NHS Institute Panel position for Improvement! see Page 5

“We would accomplish many more things if we did not think of them as impossible.”

Vince Lombardi

Business Implications of Environmental Economics

Genevieve Ford MBA—MD, Ithaca Business

Many readers will be familiar with the recently released Stern Report, commissioned by the UK Treasury to identify, verify and report on the scientific and economic facts and implications of global warming.

In our last edition we introduced the idea that the costs associated with methods of physical distribution commonly—and increasingly—employed as primary channels would begin to grow exponentially as traditional resources became scarce and governments began taxing carbon footprints. Taking this to a logical conclusion, the race of many manufacturers to ‘low cost’ countries may begin to bite back as transport costs grow.

Of course the Stern Report is far

more hard-hitting than this single conclusion may imply. Depending on how we – as a global society – choose to act, world output per annum will fall by between 5 – 20%. This compares with a cost to act of 1% of world GDP per annum. Nothing is actually going to stop climate change from occurring – it is a natural phenomenon that the industrial world is exacerbating, the best we can do is stabilise our own contribution to it and adapt.

Keep in mind this is no holier than thou report by an environmentalist lobby group – this is a hard-hitting economic assessment of the scientific facts and implications. Let us consider a few of the implications of climate change on business:

- ❖ Transport costs – in particular those related to road and air transport – will escalate dramatically as governments tax the carbon footprint of the transport and the cost of fuel itself rises;
- ❖ The economic equation for some manufacturing organisations will swing away from locating facilities in low-cost labour environments and back toward locating as close as possible to raw material suppliers and target markets;



Contd. P3

Volume 5, Issue 3

Inside this issue:

Market Segmentation—The Next Step.	2
Are You a Scary Boss?	2
Talent Scarcity	3
Technology Overload	4
Turkey—The Next European Giant?	4
Ithaca Business—News &...	5
❖ who are we?	6
❖ where are we from?	
❖ what do we do?	
❖ who do we do it for?	

Emotional Intelligence—Just Another Fad?

Angela McCusker MBA, Director Ithaca Business



Research has shown that individuals, teams and organisations with high EI outperform others by a significant margin.

For example, partners in a multi national consulting firm were assessed on EI; those high on EI secured \$1.2million more profit. In a US national insurance company, agents weak on EI sold average policies of \$54,000; sales agents high on EI achieved \$114,000.

Developing EI competencies in an organisation will have a positive impact on the bottom line. There are

many other benefits too; research shows that people with high EI:

- ❖ Experience less stress;
- ❖ Have better health;
- ❖ Perform better;
- ❖ Are more productive;
- ❖ Are ‘Star Performers’.

So why bother? The hard case for soft skills - individuals and organisations with high EI experience:

- ❖ Lower sickness absence;
- ❖ Higher staff retention;
- ❖ Motivated individuals and teams;
- ❖ Higher productivity;

- ❖ Higher profits.

Daniel Goleman is the recognised expert on EI and his model on page 5 highlights the key elements of EI. His research indicates that EI is found to be twice as important as cognitive and technical skills, and is twice as important in contributing to pure excellence, as intellect and expertise. It is particularly central to leadership. For success at the highest levels, EI accounts for virtually the entire advantage.

...see the EI Model & learn more on Page 5

Special points of interest:

Project and troubleshooting expertise is rarely found within a business—especially the ability to take a helicopter view of a situation and address potential solutions from an objective and holistic perspective

See more about this type of project in our Case Study on Carter Holt Harvey...

www.ithacabusiness.biz

Market Segmentation—the Next Step

A synopsis from the Harvard Business Review—Volume 84, Number 2 February 2006 (Rediscovering Market Segmentation)



Over 40 years ago a theory of market segmentation along non-demographic lines was introduced by Daniel Yankelovich in the Harvard Business Review. In this he argued that buying patterns were better predictors of consumer behaviour than the traditionally accepted criteria of age, gender, income, residence etc.

The theory went further, suggesting that non-demographic research of buying patterns could also help companies determine:

- ❖ Products to develop;
- ❖ Distribution channels to sell in;
- ❖ How much to charge for them.

He was right; the theories were adopted on a broad basis over the ensuing years. Now, however, he returns to write again in Harvard Business Review that, due to the use of non-demographic segmentation methods being used—almost exclusively—to fulfill the needs of advertising, it is just as pointless as demographic segmentation had once been.

Yankelovich and his consulting part-

ner, David Meer now state that successful market segmentation relies on finding identifiable patterns in consumer's actual buying behaviour therefore, first and foremost, reliable and relevant data is needed. At the core a company wants to know at least the following:

- ❖ Benefits and features of their product / service which matter to customers;
- ❖ Customers who are willing to pay more – and those demanding lower prices;
- ❖ Relative advantages and disadvantages customers ascribe to existing offerings;
- ❖ Emerging social, economic and technological patterns that may affect purchasing and usage patterns.

They then suggest that from this – and the application of effective quantitative and qualitative research methods – companies are in a position where they can develop segments and their segment strategies that:

- ❖ Reflect the company's strategy;

- ❖ Indicate where sources of revenue or profit may lie;
- ❖ Identify customer's values, attitudes and beliefs as they relate to the product / service offering;
- ❖ Focus on actual customer behaviour;
- ❖ Accommodate or anticipate changes in markets or consumer behaviour.

Ultimately the aim is to know what is most important to customers – one or two things that the company can then focus on in each segment to improve sales of the product / service. Yankelovich and Meer state that the most common error made by marketers is applying findings on one type of issue to another area – but there are no short-cuts – even when the product is mass-produced or generic in type.

The authors have identified three levels of decision-making underpinning market segmentation – each requiring a different set of questions to be answered for the business and the consumer in order to determine how the segment should be addressed.

"Sometimes just the fact that you are the boss makes people afraid"

	Issues for Business	Consumer's Concerns	What Segmentation Should Try to Ascertain
Shallowest Concerns	<ul style="list-style-type: none"> ❖ Whether to marginally improve existing products ❖ Selecting targets for media campaign ❖ Whether to change prices 	<ul style="list-style-type: none"> ❖ How relevant & believable new-product claims are ❖ How to evaluate a given product ❖ Whether to switch products 	<ul style="list-style-type: none"> ❖ Buying & usage behaviour ❖ Willingness to pay a small premium for higher quality ❖ Degree of brand loyalty
Middle-of-the-Spectrum Decisions	<ul style="list-style-type: none"> ❖ How to position the brand ❖ Which segments to pursue ❖ Whether to fundamentally change the product ❖ Whether to develop an entirely new product 	<ul style="list-style-type: none"> ❖ Whether to visit a clinic about a medical condition ❖ Whether to switch one's brand of car ❖ Whether to replace an enterprise software system 	<ul style="list-style-type: none"> ❖ Whether consumers being studied are DIY or do-it-4-me types ❖ Consumer's needs –service, convenience, functionality ❖ Social status, self-image & lifestyle
Deepest Decisions	<ul style="list-style-type: none"> ❖ Whether to revise the business model in response to powerful social forces changing how people live their lives 	<ul style="list-style-type: none"> ❖ Choosing a course of medical treatment ❖ Deciding where to live 	<ul style="list-style-type: none"> ❖ Core values and beliefs related to buying decision

Are You a Scary Boss?

Paul Glen "Leading Geeks: How to Manage and Lead People Who Deliver Technology" (Jossey Bass Pfeiffer, 2003)
An occasional series of excerpts directly from Paul Glen's writing...

Have you ever suddenly discovered that the people who worked for you were afraid of you?

It's not an uncommon finding—but, to coin a phrase—it's scary...how, after all, could they be scared of you?

Here are a few pointers on what to look out for—and what you can change, to be run over a series of newsletters:

Position

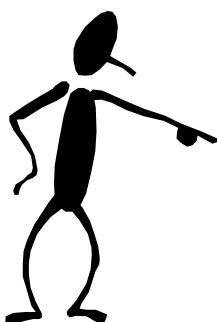
Sometimes, just having the boss title is enough to make you scary. The fact that you have the power to hire, fire and grant raises and bonuses makes you a menacing figure.

Unpredictability

If people can't reasonably anticipate your response to a situation, they naturally assume the worst. IT pro-

fessionals, for example, are well-trained symbolic thinkers. Their education, and comfort, is rooted in the deterministic. "If I put a 3 in that field, I know that the algorithm says that the answer will always be a 12." Random responses to the same stimuli mean only one thing to technical folks: bugs. If you as a manager are unpredictable, clearly you are a bug in your own departmental system.

Look out for more in the next newsletter



Business Implications of Environmental Economics *Contd.*

❖ On the upside, it may be that the drive toward using carbon-neutral fuels and eliminating waste will have a positive impact on business;

❖ Opportunities for business have already started opening up in carbon trading and the development of alternate fuel sources - more, similar opportunities will open up - while other, more traditional businesses, will close down;

Growth in all countries - depending on what actions



are taken - may slow dramatically, cease or even reverse. In such an economic environment many businesses will struggle to prosper - combating this takes more than ingenuity and resilience.

In many respects, apart from the obvious - individual - steps that each business can take such as develop policies to promote the use of pooled (car clubs) / public and self-propelled (cycles) transport, eliminate or re-cycle waste, use non-carbon fuels, build/use more energy-efficient buildings, the best thing that business can do is lobby for concerted action to be undertaken on a global basis. The Kyoto protocol is a first step - but major economies have not signed up - they will if sufficient pressure is brought to bear.

The key for businesspeople - and politicians - is to look beyond the short-term and be prepared to pay something now for the long-term future.

Talent Scarcity

Industry, business, government, organisations of all shapes and sizes everywhere, run on brainpower. No matter how sophisticated the technology or innovative the product, in the end, it is people who think of it, design it, deliver it and support it. True competitive edges are created and sustained by people.

From another perspective it is more than brainpower that is needed - it is also know-how and experience to deliver what some might consider the mundane aspects that most of us take for granted. It doesn't seem to matter who you ask, they are having trouble finding professionals - engineers, programmers, doctors & nurses - and trades-people - plumbers, electricians, builders - alike and, when they do, the cost is higher than ever before and - often - the quality lower!

The First World in particular is facing a shortage of all types of talent, many countries have created a quagmire for themselves by placing undue emphasis on tertiary education which is focused on feeding industry needs at the expense of apprenticeships and internships. Not only has this led to a glut of graduates with no jobs to go to - it has downgraded the value of having a degree in the first place and led to fewer people choosing to study

in areas perceived not to have value - such as history, classics and philosophy.

As has been trumpeted for a long time now, the baby-boomer generation has begun to retire - and they will live longer than any generation before them, placing an undue burden on the working generations. This burden will only be exacerbated by the trend of workers to change jobs with increasing frequency, to seek early retirement or to hire themselves out to the highest bidder without becoming an employee.

The question though, is what can businesses do to ensure they get the talent they need to survive?

Unfortunately there's not much new here - but many organisations have ignored obvious steps and the time has come to consider them more seriously. For many organisations who cannot compete in terms of buying the talent they need, they must think more constructively:

- ❖ Flexible workforce structures - located globally (people are where you find them), telecommuting & job-sharing;
- ❖ Formation of strategic alliances and collaborative partnerships - businesses complimentary to your own may have resources you can utilize on certain activi-

ties - and vice versa;

- ❖ Sub-contract talent for particular projects - don't seek to hire permanently for all positions;
- ❖ Retention strategies - it is often about more than money - culture, benefits, recognition & reward are all things that people respond to;
- ❖ Dump recruiting agencies - in a massively competitive market many have become low-quality, high volume factories, churning out anyone that remotely fits the bill at an exorbitant price - if you wish to use a recruiter, hire a specialist in the field for which you are recruiting;
- ❖ Through business groups and other forums support immigration initiatives - attracting talent and skills of all types to your country;
- ❖ Become an 'employer of choice' - involving many of the above, but also built on being a business that people want to have on their resume - the brand, products, services and reputation of your business attract the best people.

A tall order I hear you say - but, without strategies and plans to address this burning issue many businesses will struggle to survive in an increasingly resource-hungry world.

Will the world be able to work together to stabilise the human contribution to global warming?

Genevieve M. Ford MBA



Finding the right people is not going to get any easier—but there are strategies for success

Technology Overload

Genevieve Ford MBA

You know what it's like – you've decided you need a new system... hardware, software...either to replace what you already have or to provide new functionality / automation. You've done the homework – you know the processes you want to support and how, you've even drawn up robust functional specifications covering what you want.

The trouble is, despite all the investment the business has made in IT over the years – and despite being seemingly well prepared as you are this time, you haven't always made the right call. As soon as you put your toe in the water an overwhelming number of "solution providers" came at you from all sides, each assuring you that their product / service was the answer to your prayers.

Don't worry – you're not alone – 50% of companies state that "aligning business & IT strategy" was a major problem for them, with 51% of relatively large-scale implementations running over time and over-budget. Only 10% of companies believe they are getting high returns from IT investment – 47% feeling that returns were negative, low or unknown (1).

The first thing to do is understand that IT provides a tool, not an answer. You were right to understand the process-side first, without that it is next to impossible to choose the right technology. In essence every business has to map its technology needs so that they overlay the business strategy, corre-

spond with the business process and visibly deliver returns on cost / benefit measures.

Of course the greatest piece of technology is only as good as the people responsible for operating and using it. Businesses who do not involve their people in the entire process run the risk that the system, once purchased and put in place, will be circumvented by staff. Nothing is more sure to deliver negative returns than an expensive piece of kit that is under- or incorrectly- utilized.

Technology changes the way people work. It must therefore form an integral part of the business strategy and process design, to treat it as separate and apart is to ensure it will be – and not for the better. Businesses need to design their technology with the same diligence that they design their structures and relationships. A guide to doing this more easily could be to categorise technology needs in one of three ways:

- ❖ **Functional.** Technologies that make the execution of stand-alone tasks easier (i.e. word processing, CAD, spreadsheets);
- ❖ **Network.** Means by which people communicate more easily (email, instant messaging, blogs);
- ❖ **Enterprise.** Applications that enable interactions among groups of employees or with business partners to be dramatically restructured – things that can define entire busi-



ness processes (CRM, SCM, ERP, EDI). (2)

Once designed there are three tasks:

- ❖ Select technologies that support the organisation in delivering the desired capabilities;
- ❖ Enable full realisation of the selected technology's functionality by creating situations where adoption of the technology by people will be seen and experienced – by them – as beneficial;
- ❖ Ensure that the organisation's technologies and capabilities stay aligned. (3)

There could be another requirement added – don't be distracted by the next, latest, greatest system – get maximum value and return on investment from the systems you have selected and be happy, in the end, your people will deliver the value.

(1) Andrew McAfee, *Mastering the Three Worlds of Information Technology*, Harvard Business Review, November 2006

(2) Ibid.

(3) Ibid.

"Alignment of business & technology strategy is hard to achieve—but critical."



Turkey—the Next European Giant?

Compiled from the CIA Factbook (www.cia.gov/cia/publications/factbook/geos/tu.html) & other sources

"Turkey's dynamic economy is a complex mix of modern industry and commerce along with a traditional agriculture sector that still accounts for more than 35% of employment.

It has a strong and rapidly growing private sector, yet the state still plays a major role in basic industry, banking, transport, and communication. The largest industrial sector is textiles and clothing, which accounts for one-third of industrial employment; it faces stiff competition in international markets with the end of the global quota system. However, other sectors, notably the automotive and electronics industries, are rising in importance within Turkey's export mix.

Real GNP growth has exceeded 6% in many years, but this strong expansion has been interrupted by sharp declines in output in 1994, 1999, and

2001. Now the economy is turning around with the implementation of economic reforms, and 2004 GDP growth reached 9%. Inflation fell to 7.7% in 2005 - a 30-year low. Despite the strong economic gains in 2002-05, which were largely due to renewed investor interest in emerging markets, IMF backing, and tighter fiscal policy, the economy is still burdened by a high current account deficit and high debt.

The public sector fiscal deficit exceeds 6% of GDP - due in large part to high interest payments, which accounted for about 37% of central government spending in 2004. Prior to 2005, foreign direct investment (FDI) in Turkey averaged less than \$1 billion annually, but further economic and judicial reforms and prospective EU membership are expected to boost FDI. Privati-

zation sales are currently approaching \$21 billion."

Turkey's population of over 70 million have an average age of only 28—more than 10 years less than the UK and many other developed nations. As aspirants to enter the EU they have the potential to be a powerhouse in that forum—both as a market for other European goods and as a net exporter of goods and talent.

At the moment Turkey seems, to some degree, to be sailing under the radar of investors and businesses looking either for opportunities to establish reliable, relatively close offshore operations or for export markets where they can distribute their own goods.

With ascension to the EU Turkey will open up even more—why not get there first?



Lycian rock cut tombs, Dalyan, Turkey

Emotional Intelligence—Just Another Fad? *Contd.*

Angela McCusker MBA

Model

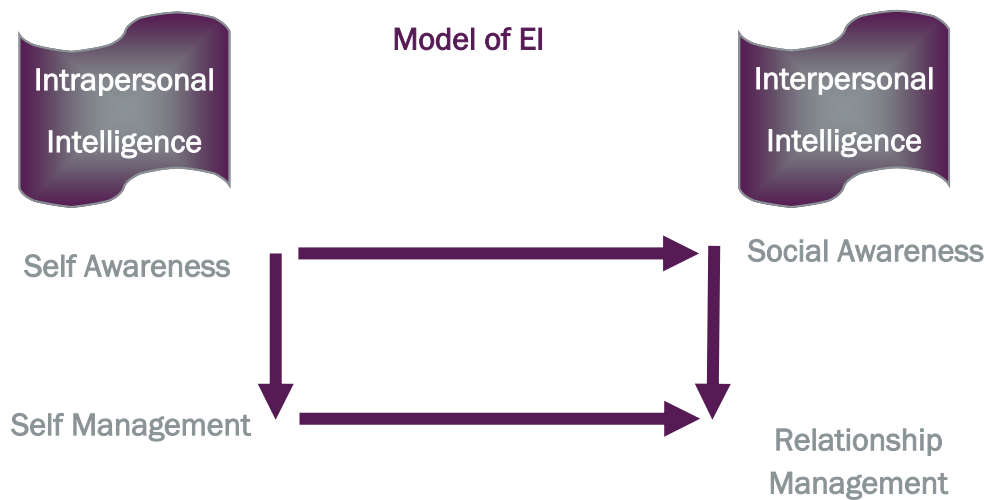
The two key strands of the model are:

- Intrapersonal Intelligence- the key to self-knowledge and the ability to know and access one's own feelings and draw on them to guide behaviour. It is the inner intelligence we use to know, understand and motivate ourselves.
- Interpersonal Intelligence- the ability to understand other people: what motivates them, how they work, how to work collaboratively with them. It is the outer intelligence we use to read, sense, understand and manage our relationships with other people.

EI is not about 'being nice' or giving free rein to feelings and 'letting it all hang out'. It means managing feelings so that they are expressed appropriately and effectively, enabling people to work together smoothly towards a common goal.

Why Now?

The working environment today with constant change, flatter structures, greater responsibility, increasing complexity and the reshaping of jobs requires a different skill. That skill is Emotional Intelligence.



Ithaca Business—News

Ithaca's operations continue to gain momentum as businesses realise that our unique propositions in terms of:

- ❖ Independence;
- ❖ Risk-sharing;
- ❖ Process-orientation; and
- ❖ Hands-on help

can help their businesses reach new heights—or deal with old problems!

Our recent success stories include:

- ❖ Selected from over 200 Tenderers to be on the Improvement Panel for the NHS Institute;
- ❖ Department of Defence (Australian Army) renewed their contract for a further two years;
- ❖ With Sivi Consult finalising a contract with a major labeling manufacturer to design and implement

a Business Continuity Program for their 14 manufacturing sites in 7 countries;

- ❖ Led by Ivory Tree, completed delivery of a Leadership & Management Development Program for Elmbridge Borough Council (which they are raving about!);

These are in addition to the many success stories we have been a part of over the almost six years since Ithaca undertook its first project—with Carter Holt Harvey, a client that still comes back to us when they have a new need in our skills area.

One of our biggest ventures is also about to come to fruition—a collaboration with a significant number of known businesses under the umbrella of The Business Academy to deliver a start-up business package to new businesses. Ithaca will be developing and delivering the e-learning component of the package covering 6 modules to get any business up and run-

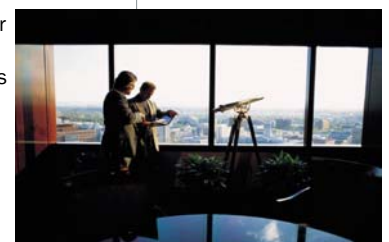
ning—inclusive of online, real-time tutorials with business experts in the subjects covered:

- ❖ Now What Happens? (or, you have a business plan— now what happens!!!!)
- ❖ Ideas ≠ Profit—Marketing & Sales Essentials
- ❖ Resourcing & Running
- ❖ Raising, Making & Keeping Money
- ❖ Risk Management & Contingency Planning
- ❖ Getting Out of the Business—Why an Exit Strategy is Important

If any of these subjects—or any of the topics covered in the newsletter are areas in which your business needs advice or help, please call any of Ithaca's Directors to make a time to discuss in more detail.

**Ithaca
Business
wins spot on
Improvement
Panel for NHS
Institute
tender—from
200
submissions!**

ithaca
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can we help you?

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who are we?

Ithaca is an independent business transformation practice that delivers outstanding results for clients around the globe.

Our proven, process-oriented approach, applied together with robust business analysis has given Ithaca a strong track record of success across numerous industry sectors. Ithaca's solutions have encompassed everything from process reengineering to software, outsourcing, in-sourcing, organisational re-structuring and more.

The outcomes we implement are dramatic and measurable – for the organisation and for the bottom-line.

where are we from?

Founded in early 2001, Ithaca has built an enviable, worldwide reputation for developing and implementing innovative, effective solutions, predominantly in blue-chip, public and private clients.

Our core principles of independence, doing what we say we are going to do – always – and delivering value are as applicable today as when we began.

We operate from offices in London, Melbourne and Edinburgh and have undertaken projects in Asia, North America and Europe.

Ithaca's name derives from the Greek island of the same name. Ithaca was once the island kingdom of Ulysses, a hero of the Trojan War. After the end of the war Ulysses took another 10-years to reach Ithaca – having to fight Cyclops, repel the Siren's songs and escape Circe's seductive embrace along the way.

Organisations today are not unlike Ulysses - they have goals but frequently lack a map showing a way through the maze. Ithaca's service profile is designed to provide not only the map, but a guide to show the way, facilitating effective and sustainable change.

what do we do?

strategy

Strategy: having a shared vision; setting goals; planning to achieve them

Business strategy is vital to all organisations and at Ithaca we take a rigorous approach, working with clients to create a clear direction for their organisation. This provides a map for the future, as well as the route to take now. Benefits of robust business strategy and associated objectives can only be realised through effective implementation. We help clients deliver both.

- ❖ Why do it?
- ❖ How to do it...
- ❖ Making it happen
- ❖ Now what?

performance

Performance: achieving your goals; knowing when you are on track; sustaining the achievement

Strategy without performance is only a dream. Doing the right thing at the right time and place, in the right way and visibly measuring the outcomes will achieve the dream. Success relies heavily on execution. This is challenging in most organisations – Ithaca works to generate consensus by jointly developing, prioritising and facilitating the implementation of action.

- ❖ What Do You Need?
- ❖ What To Measure
- ❖ Now What?

enablers

Enablers: identifying supporting tools; implementing them; maintaining them

Outcomes that consistently meet strategic goals and performance objectives are those that identify and effectively utilise the right set of supporting systems and tools.

- ❖ What Do You Need?
- ❖ Human Resources
- ❖ Technology
- ❖ Standards
- ❖ Risk management
- ❖ Contingency planning
- ❖ How Do You Choose?
- ❖ Process optimisation
- ❖ Functional specifications
- ❖ Now What?

who have we done it for?

Ithaca's clients range from blue-chip multi-nationals and government such as the Department of Defence, Bayside Health, CSL Pharmaceuticals, Bonlac Foods, DHL and Carter Holt Harvey to more medium-sized and smaller companies including Harris Watson (Lyle & Scott), Sentient Health, Elmbridge Borough Council, The Training Shop and First Impressions.

A typical comment from our clients would be along the lines expressed by Pam Balstrup (Operating Suite Services Manager, Bayside Health), "the best change management program I have ever seen", when describing the one-off AUD\$3M, recurrent 7% saving in working capital spend, 65% reduction of total cost-to-serve whilst improving customer service delivery to 99%+ Ithaca delivered.