

# Management & governance

## Diving In

Blue skies and green fields may be appealing concepts in business terms but it's the 'blue ocean' strategy that can deliver the quantum leap for the clever and innovative aged services provider, writes **Dr Keith Suter**.

An 'immature' industry consists of a large number of small producers or suppliers. Eventually a 'mature' industry evolves and it becomes a small number of large producers or suppliers. Aged care is an immature industry and since 1997, the Australian Government has been trying to make it a mature one.

The 1997 Aged Care Act was designed (as in farming and chemist shops) to encourage providers to 'get big or get out'. It has had only mixed success with amalgamations and consolidations but the process will continue. The aged care industry will continue to undergo reforms.

In this context, a challenge for boards is to recognise the extent to which they are now running significant businesses, with significant director responsibilities. Directors help to develop the aged care organisation's overall strategy - as distinct from getting bogged down, say, in the management details of furnishings.

### THREE BIG QUESTIONS

Here are three big strategic questions to stimulate discussion at board meetings.

#### 1. Are we becoming complacent?

The time of greatest danger comes at the time of greatest success. There is no single 'finishing line'. A successful company one day can become a failure shortly thereafter. There is a risk that a

company or organisation can become self-satisfied and complacent.

In corporate governance terms, the seeds of decline can often be spotted at least three years out. But the board has to be alert to the faint warnings of danger, and not necessarily be overwhelmed by what seems to be continual good news from the CEO.

For example, there were clear warnings signs about the impending 2008 'global financial crisis' but they were ignored. Many finance sector people were so busy making money that few asked what could go wrong. Life in the credit bubble seemed to be going along so well that few could envisage a crash.

An aged care business model that works well in one era may not work so well in a later one. There is no single formula for success

#### 2. Are we doing enough thinking for our customers?

Customers don't always know what is best for them. Innovative car maker Henry Ford said: "If I had asked my customers what they wanted they would have said a faster horse."

By all means keep close to the customers but don't rely on them for business directions - in effect, they rely on you. For example, no one was pressing for the invention of the transistor, computer, Sony Walkman, or Internet. But once they came along they were very welcome.

A good introduction to this concept is the best-selling book *Blue Ocean Strategy* by European business scholars, Professors W Chan Kim and Renee Mauborgne. 'Blue ocean' is new market space - in contrast to 'red ocean', which is the contested market space (think of all the blood in the water from the fighting).

The blue ocean intention is not so much to beat the competition - as to make it irrelevant. Blue ocean thinker, Henry Ford, invented the mass-produced, inexpensive automobile, rather than contest the red ocean of expensive, elite automobiles.

Another example is Yellow Tail Australian wine. Americans don't drink much wine because they associate it with sophisticated Europeans learnedly speculating on vintages etc. Americans may have money but they don't have that sort of 'class'. Yellow Tail is the biggest selling foreign wine in the US. It comes in only two versions red or white: even an American can tell the difference.

Another example is the Canadian reinvention of the circus. Traditional circus companies have run into problems with animal liberation activists; and anyway, kids are more interested in computer games than clowns. Cirque du Soleil (formed in 1984) has no animals and caters for adults via elaborate acrobatics and theatrical settings. It can also charge much more for its tickets.

### STOP WATCHING THE COMPETITION

The authors of *Blue Ocean Strategy* advise readers to stop benchmarking the competition - the more you benchmark, the more you get to look like the competition. Don't focus so much on the competition and instead look at the Blue Ocean horizon of non-customers; they provide the most insights into how you can create new, uncontested opportunities.

The authors suggest starting by asking some simple questions:

- which of the factors that the industry takes for granted should be eliminated?
- which factors should be reduced below the industry's standard?
- which factors should be raised well above the industry's standard?
- which factors should be created that the industry has never offered?

### 3. What will be the impact of computer technology?

"Software eats the world". In other words, the relentless march of information technology is changing our world forever, for good or ill.

For example, there is far more computing power in a car today than in the spacecraft that took a man to the moon in 1969.

The technological wave is like a wave beating on the shoreline - all get wet but at different rates at different times. The first workers to be washed away were the bank tellers and checkout staff in stores: basic calculations were replaced by high-speed automatic machines.

The pace of change will continue. For example, many Australian companies are outsourcing their 'back office' secretarial and administrative work to English-speaking Asian countries.



Keith Suter

### UNDERSTANDING MOORE'S LAW

The technical term for this is 'Moore's Law'. Gordon Moore, a founder of Intel, predicted in 1965 that the power of computers will double every 18 months-2 years and the price of computers will halve every 18 months-2 years. This explains why we are constantly having to update our computer systems.

There is a lack of attention to the impact of Moore's Law. There is a lot of interest in 'toys for the

boys' and gadgetry - see the IT supplements in newspapers - but not on what Moore's Law means for the broader society.

What are the implications of Moore's Law for ageing? There is bound to be improved research and medical breakthroughs, such as a cure for dementia or implants for humans like new eyes.

What will be the scope for robots? Robots need not be the Hollywood machine type of clunky metallic human. Instead, as we are already seeing in Japan - which has the world's largest numbers of robots - it could be a cuddly teddy bear in a resident's room to monitor their health and remind them to take their medication.

In short, the aged care sector will continue to change. New ideas will be opening up - especially for those who see them as opportunities and not just threats. ■

**Dr Keith Suter is a futurist, consultant, lecturer and media commentator with a long standing involvement in the aged and community services sector including 17 years consulting with Wesley Mission in NSW. He is foreign affairs correspondent for Seven's Sunrise program and has a weekly broadcast Monday nights on Brian Wiltshire's 2GB program called, 'talking politics'. Keith is also a member of the prestigious global think tank, 'The Club Of Rome'. His blog is called Global Directions.**

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