

STELLARIS

THE OFFICIAL NEWSLETTER OF STELLARIS LTD



MEETING FACILITATION



TRAINING WORKSHOPS
FOR TRUSTEES AND
DIRECTORS



COACHING AND
MENTORING OF KEY STAFF
AND BOARD MEMBERS



POLICY DEVELOPMENT

STELLARIS IS YOUR ONE STOP
SHOP FOR ALL THINGS GOVERNANCE

STRATEGIC STARTER OF THE MONTH

SECOND LEVEL THINKING - ASK "WHAT COMES NEXT"?

A key limitation for businesses at the moment is a shortage of qualified staff. In May 2019 18,247 people were granted work visas. In May 2021 fewer than 450 people were granted work visas.

What do you do in this situation?

1. Take anyone regardless of how good a fit they are for your business?
2. Wait until you have the ideal candidate because it's better to have no quantity than poor quality?
3. Headhunt staff from your competitor? Or a supplier? Or a customer?

Howard Marks, author and co-founder of asset management firm Oaktree Capital Management, wrote about first and second level thinking (also called first and second order thinking) in his 2011 book, "[The Most Important Thing.](#)"

Marks' focus was making smart investment decisions, but the principles of first and second level thinking can be applied to a range of workplace situations.

An example of first level thinking is the business that decides to increase market share by offering discounts to be cheaper than competitors - not realising that their competitors will follow suit and they will be no better off.

When you think strategically you must think of the consequence of any action you take - and even the consequence of the consequence!

A simple process is to simply ask: “And then what?” when you are about to take an action. What will be the effect in 10 days, 10 months and 10 years? You might find that short term pain is worth a long-term gain. For example, getting out of bed earlier every day to do a morning walk will matter in 10 years - not so much in 10 days.

By understanding the downstream effects of a decision you can ensure that your organisation is set up for the future rather than just for today.

For example, if you run a successful marketing campaign

- can you fulfil the orders (enough staff, stock, equipment)?

- Are your suppliers ready for your sudden increase in sales (raw material suppliers, delivery channels)?
- What do you need to do to ensure continuity for your customers?

Think back to the current shortage of workers and the questions I asked at the start. First order thinking would solve your immediate problem but second level thinking might have you asking questions about what your customers will do if you can't supply (Will they wait? Are they prepared to pay a premium? Will they move to a competitor never to return? Can your competitor supply?).

The correct decision for you might not be as obvious as you first thought.

STRATEGIC QUESTIONS FOR YOUR BUSINESS

What are the effects of any decision you make

1. In 10 hours, 10 days, 10 months and 10 years?
2. On employees, customers, suppliers, the community, competitors?
3. On decisions that others might make: employees, customers, competitors, policy makers?



Give **Ron Scott** at Stellaris a call on **0800 23 23 78**
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to discover how Stellaris can help you!

All training and coaching can be altered to suit the level of your Trustees and Directors.

Let's Talk Statistics

I have included a random range of statistics. Please let me know other statistics you would like to follow.

		Previous		Latest	Comments
Business Confidence ANZ	May 2021	1.8	June 2021	-0.6	Very big drop in business confidence. Has implications for investment levels.
Bankruptcies per month https://www.insolvency.govt.nz/support/about/statistics/insolvency-procedure-statistics/monthly-bankruptcy-figures/	June 2020	82	June 2021	55	Lower than the peaks of recent years (131 in Aug 2019)
GDP Growth pa https://www.stats.govt.nz/topics/gross-domestic-product	Dec 2020	-2.9%	Mar 2021	-2.3%	The budget is predicting annual GDP growth to be +2.9 by June 2022.
Unemployment rate https://www.stats.govt.nz/indicators/unemployment-rate	Dec 2020	4.9%	Mar 2021	4.7%	Trending down. Effectively full employment 135,000 unemployed
Workforce Participation rate https://www.stats.govt.nz/topics/labour-market	Dec 2020	66.8%	Mar 2021	67.1%	More people working as % of workforce
Inflation rate https://www.stats.govt.nz/indicators/consumers-price-index-cpi	Mar 2021	1.5%	June 2021	3.3%	Budget expected inflation of 2.5% for the year so there will be consequences
Public sector wages change. https://www.stats.govt.nz/information-releases/labour-market-statistics-march-2021-quarter	Dec 2020	2.9% \$81,588	Mar 2021	1.9% \$83,462	Average weekly earnings for Full Time Employees in March 2021 compared to March 2019 was 9.03% higher for public sector and 4.78% for the private sector
Private sector wage change https://www.stats.govt.nz/information-releases/labour-market-statistics-march-2021-quarter	Dec 2020	1.6% \$65,539	Mar 2021	1.6% \$65,384	Private sector earnings fell for private sector due mainly to a 1.1% fall in overtime
Business lending rate (ANZ) https://www.interest.co.nz/borrowing/business-base-rates	April 2021	8.35%	June 2021	8.35%	Stable for now but watch Reserve Bank changes.
Tourist Arrivals -Visitors visa + Australians https://www.immigration.govt.nz/documents/statistics/statistics-arrivals-by-month	Mar 2021	1783 + 766	May 2021	2464 + 31140	Huge increase in Aussie visitors. March 2019 225,000 visitors and 98,000 Australians. <u>But</u> travel bubble has popped this month with Covid in Australia.
Work Visas https://www.immigration.govt.nz/documents/statistics/statistics-arrivals-by-month	April 2021	319	May 2021	440	Still tight.(19,000 in March 2019)
Govt debt to GDP https://www.treasury.govt.nz/system/files/2021-03/fsgnz-8mths-feb21.pdf	Jan 2021	34%	Feb 2021	32.6%	Budget predicts 34% by June 2022. One of the lowest in the world.
Household debt as % of household income https://www.rbnz.govt.nz/statistics/key-graphs/key-graph-household-debt	Sept 2020	162.6%	Dec 2020	165.6%	Scary...but serviceability has improved to 5.8 % from 6.0% of income
Credit Card Debt % annual change https://www.rbnz.govt.nz/statistics/c12	May 2021	3.2% \$6.246b	June 2021	-1.2% \$6.224b	A \$billion less than June 2019 and \$100,000 less than June 2020. Is this saving deliberate or due to limited things to spend on?



RONNING AROUND

I was at a gathering of Human Resource professionals this month. The conversation turned to shortages of employable workers.

One HR manager offers incentives to get her workers to put in a full days work in the form of a monthly lottery where any worker who has put in a 40 hour week gets the chance to win \$5000 worth of prizes - every month! Absenteeism only dropped from 40% to 33%. In other words a third of employees were taking off early or not coming to work on at least one day a week. She explained "It's millennials!" Can't help thinking millennials will have a different view if jobs were hard to come by.

Every sector seems to be impacted:

Construction firms can't get tradies because they haven't invested enough in training apprentices in previous years. Apprenticeships have stalled because polytechs can't get tutors. Staff are having to work longer hours with little downtime - causing health and welfare issues.

In Health we are struggling - not helped by reduced immigration levels and the Philippines Government stopping health professionals from working abroad.

Looking at the graph there are next to no work visas being issued (440 in May this year compared to 18,247 in May 2019).

In short: There is demand for goods and services. Suppliers - whether builders, fruit growers, hospitals or accountants can't deliver at least partly because there are staff shortages. This is a recipe for inflation due to wage pressures, freight costs and more. And as the graph below shows inflation is already ramping up.

On the other hand New Zealanders are saving more than they have for as far back as data goes (the gap between compensation and consumption is savings).

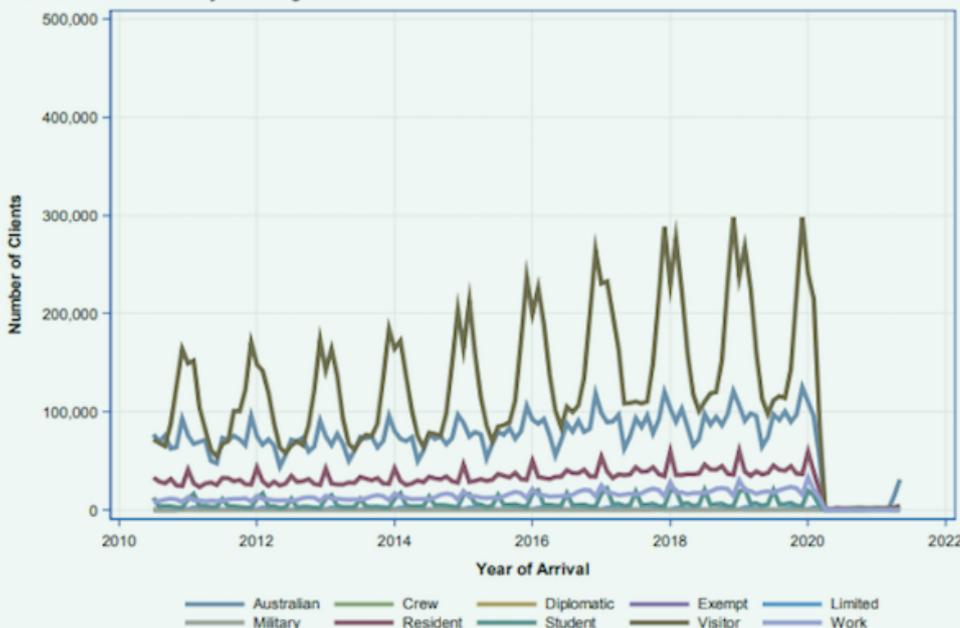
Arrivals by Visa Type.

Data for period: Date of arrival between 1 July 2010 and 31 May 2021

Report prepared: 3 June 2021

Note 1: Arrivals for the selected visa types, excluding those who are not issued a visa at the border (mostly New Zealand nationals) and those who are refused entry.

Note 2: Arrivals in January are on a grid line.



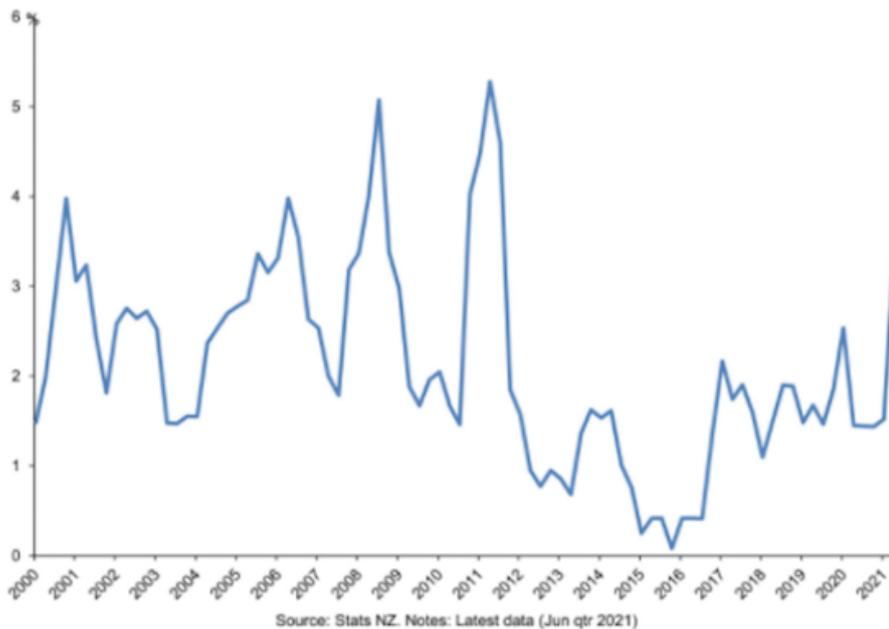
Source: Immigration New Zealand

Work visas have plummeted. You know how that affects your business directly but how will it affect your suppliers and customers?

Is your supply line impacted?

Will your staff have more sick leave because their children haven't been seen by a GP?

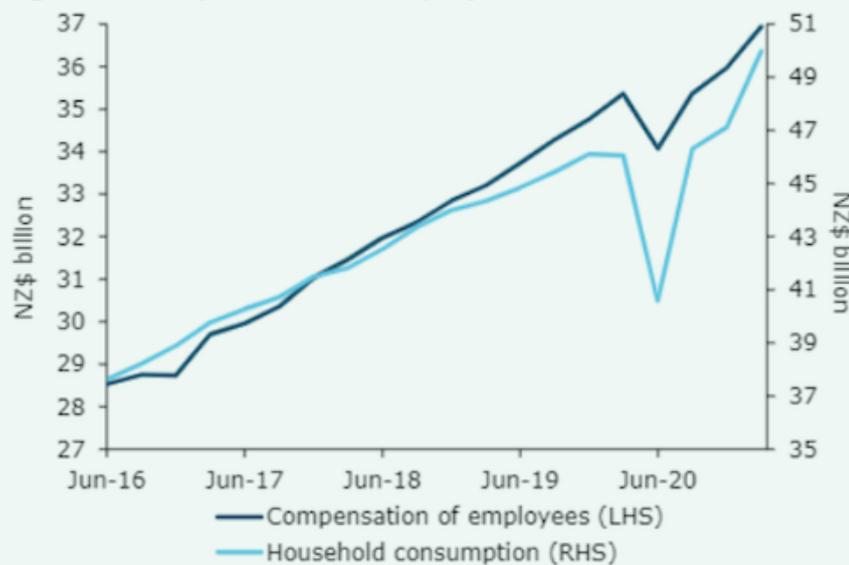
New Zealand's Consumers Price Index (CPI)



Inflation is on the rise.
The cost of your inputs will need to be reflected in your own prices.

Are your staff asking for more pay yet? Has that been reflected in your long-term contract quotes?

Figure 5. Compensation of Employees and nominal household consumption



Source: Stats NZ, ANZ Research

The gap between the two lines is the level of savings kiwis are making.
Three years ago kiwis were spending more than saving but from 2018 (long before covid) we started spending less of our income.

What happened?

Does your business benefit from spenders or from savers?
Is consumer confidence important to your business?

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POLICY DEVELOPMENT

Whether it's a strategic planning session, a discussion group or an annual team building day - give us a call!

We developed the 'The Directors Chair' Course, a series of workshops designed to further your knowledge and skill set in all areas of governance.

It could be helping a CEO understand the Boards needs or talking through approaches to leadership challenges or even helping the Chair of the Board design a regular agenda.

We help you create fit for purpose policies for your organisation.

All training and coaching can be altered to suit the level of your Trustees and Directors.

CONTACT US



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