

# 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

### WHERE ARE THE MISSING BULLET HOLES IN YOUR BUSINESS? - IT'S WHAT YOU DON'T SEE THAT MATTERS

The Statistical Research Group was a unit of the US military in the second world war that employed statisticians to solve military challenges. One problem was how to better protect airplanes from being shot down.

**Here is the scenario:** You don't want your planes to get shot down by enemy fighters, so you armour them. But armour makes the plane heavier, and heavier planes are less manoeuvrable and use more fuel.

Armouring the planes too much is a problem; armouring the planes too little is a problem. Somewhere in between there's an optimum.

You do some research. When planes came back from engagements over Europe, they were covered in bullet holes. But the damage wasn't uniformly distributed across the aircraft. There were more bullet holes in the fuselage, not so many in the engines.

The solution is obvious; you can get the same protection with less armour if you concentrate the armour on the places with the greatest need i.e. where the planes are getting hit the most -where there is the greatest number of bullet holes.

Does that make sense so far?

It shouldn't.

The planes that made it back had the bullet holes in the safest, least critical places i.e. the spots least likely to need armour. The planes that mattered in this problem are the planes that did NOT come back. Where were the bullet holes in those planes? That's where the armour needed to be.

The obvious "solution" did not only not solve the real issue, but made the problem worse (heavier, less manoeuvrable planes).

So how is this relevant to your business?

Let me give an example from an organisation of which I am Chair. SILC supports people with disabilities. We pride ourselves on enabling the people we support to live as ordinary a life as possible. If someone wants to have a coffee out at a café for example, we will happily support them to get to their favourite café.

Sounds great.

But then we asked the question: Where are the missing bullet holes?

Embarrassingly it turned out we had never asked how the person came to have a FAVOURITE café given we always went to the same one. And even if they did have a favourite café, we didn't routinely check that this is where they wanted to go on this occasion. Most people try a few cafes before settling on a favourite and most people will randomly decide to go to a different café on a whim from time to time. Why were we not giving this option to the people we support?

A client of mine runs a fitness business. He is careful to ask his customers what time of day suits them best for various classes. My question: where are the missing bullet holes? In other words what time suits the people who are NOT coming to his classes?

There is a by-election in Tauranga very soon. In this scenario the missing bullet hole is that mythical group called the silent majority. If politicians don't ask about the missing bullet holes they get surprised by Brexit, Scott Morrison victories or a Trump presidency. The legacy media, Twitter and lobby groups are not the missing bullet holes. What are the views of the people you are not hearing from?

A Business/Social Club, like other hospitality venues is facing pressure on its revenue due to Covid restrictions. It competes with coffee shops and restaurants in the next street. To belong costs \$450 a year and in the past members accessed a gym, meeting rooms and an exclusive place for dinner. To address the revenue pressure the Committee has decided to charge members to use the meeting rooms, and hours have been reduced limiting availability of evening meals. What does the \$450 buy that is different from the coffee shop or restaurant 50 m away?

The "solution" has caused the Club to be like the armoured plane: heavier and less efficient. What would the Club Committee have discovered if they had asked the customers who were NOT coming back?

### **ACTION**

Where are the missing bullet holes in your business?

Do you survey people who never deal with you?

What products could you sell if only you stocked them?

What assumptions are you making about your customer base?

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# STATISTICAL COUNDRUM

## Is New Zealand a “Trading Nation”?

With the Prime Ministerial trip to Singapore and Japan we heard the common refrain that these trips are important because New Zealand is a Trading Nation which relies on world trade for our First World Status.

### How do we compare with other countries?

Below are charts comparing New Zealand’s exports as a percentage of GDP with countries in APEC and in the OECD. There are 14 APEC countries more reliant on exports and 33 OECD countries more reliant on exports than New Zealand.

### How has this myth come to be?

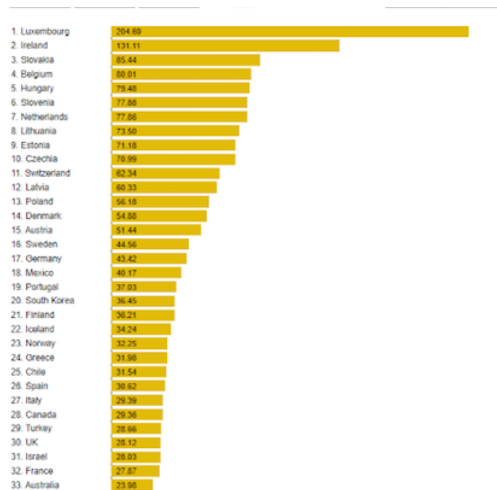
Traditionally a significant part of New Zealand’s GDP is attributable to the tradable sector. As the graphs below show this has been falling since the turn of the century. Where once a third of our economy was based on imports or exports, we are now down to a little more than one fifth.

The pandemic has simply magnified a long-term trend.

Does this matter? After all the USA has an even smaller portion of its GDP in external trade. As a rule it is dangerous to rely on just one metric to make a case. So here is another which I will leave with the reader.

In 2019 and 2020 New Zealand’s exports shrank by 0.25% and 17.63% respectively. For Ireland the comparable numbers are growth of 10.42% and 9.45%.

Makes you wonder who was suffering from the pandemic!



Source: <https://www.theglobaleconomy.com/rankings/exports/OECD/#New-Zealand>



Source: <https://data.worldbank.org/indicator/NE.IMP.GNFS.ZS?locations=NZ>

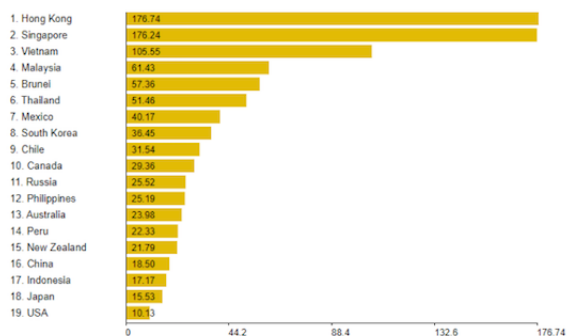


Source: <https://data.worldbank.org/indicator/NE.EXP.GNFS.ZS?locations=NZ>

Exports of goods and services as percent of GDP in APEC: The average for 2020 based on 19 countries was 49.81 percent. The highest value was in Hong Kong: 176.74 percent and the lowest value was in the USA: 10.13 percent. The indicator is available from 1980 to 2020. Below is a chart for all countries where data is available.

Measure: percent. Source: The World Bank

APEC All 2020 PNG Download data Find a country on the chart



# Let's Talk Statistics

Numbers tell a story. How do these numbers tell a story for your business?

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

		Previous		Latest	Comments
Inflation rate <a href="https://www.stats.govt.nz/indicators/consumers-price-index-cpi">https://www.stats.govt.nz/indicators/consumers-price-index-cpi</a>	Dec 2021	5.9	Mar 2022	6.9	Inflation has tripled in the last three years. Is the Cost of Living crisis embedded?
Business lending rate (ANZ) <a href="https://www.interest.co.nz/borrowing/business-base-rates">https://www.interest.co.nz/borrowing/business-base-rates</a>	Mar 2022	9.1	April 2022	9.1	Up by 100 basis points in a year. Will affect business investment costs.
Companies Removed from Companies register <a href="https://companies-register.companiesoffice.govt.nz/news-and-notices/">https://companies-register.companiesoffice.govt.nz/news-and-notices/</a>	April 2021	3	April 2022	4561	There have been 13,611 companies removed in the last two months.
Bankruptcies per month <a href="https://www.insolvency.govt.nz/support/about/statistics/insolvency-procedure-statistics/monthly-bankruptcy-figures/">https://www.insolvency.govt.nz/support/about/statistics/insolvency-procedure-statistics/monthly-bankruptcy-figures/</a>	Mar 2021	77	Mar 2022	51	Much lower than the peaks pre-covid (131 in Aug 2019).
Business Confidence ANZ	Feb 2022	-51.9	Mar 2022	-41.9	Business confidence improved last month but still very negative
GDP Growth pa <a href="https://www.stats.govt.nz/information-releases/gross-domestic-product-december-2021-quarter">https://www.stats.govt.nz/information-releases/gross-domestic-product-december-2021-quarter</a>	Sept 2021	4.9	Dec 2021	5.6	Exceptional year on year growth recovering from last year's negative growth.
Number of Paid jobs <a href="https://www.stats.govt.nz/information-releases/employment-indicators-weekly-as-at-14-march-2022">https://www.stats.govt.nz/information-releases/employment-indicators-weekly-as-at-14-march-2022</a>	Mar 2021	2,233,670	Mar 2022	2,322,100	3.6% growth in jobs -lower than GDP growth and down from 4.1% last month. 9250 fewer jobs since last month.
Unemployment rate <a href="https://www.stats.govt.nz/indicators/unemployment-rate">https://www.stats.govt.nz/indicators/unemployment-rate</a>	Sept 2021	3.4	Dec 2021	3.2	Incredibly tight job market
Workforce Participation rate <a href="https://www.stats.govt.nz/topics/labour-market">https://www.stats.govt.nz/topics/labour-market</a>	Sept 2021	71.2	Dec 2021	71.1	High level of participation
Median weekly earnings <a href="https://www.stats.govt.nz/topics/labour-market">https://www.stats.govt.nz/topics/labour-market</a> Labour cost index (salary and wage rates): December 2021 quarter.xlsx	Dec 2020	\$1075.00	Dec 2021	\$1138.94	\$64 a week better off. 5.9% which is behind the CPI increase
Tourist Arrivals -Visitors visa + Australians <a href="https://www.immigration.govt.nz/documents/statistics/statistics-arrivals-by-month">https://www.immigration.govt.nz/documents/statistics/statistics-arrivals-by-month</a>	Feb 2021	1988+601	Mar 2022	3400+4961	Are the floodgates finally opening? 106,000 Australians visited in Jan 2019?
Work Visas <a href="https://www.immigration.govt.nz/documents/statistics/statistics-arrivals-by-month">https://www.immigration.govt.nz/documents/statistics/statistics-arrivals-by-month</a>	Feb 2022	283	Mar 2022	549	Bureaucrats on holiday while businesses scream for workers (20,361 work visas in Feb 2019)
Net core Govt debt to GDP <a href="https://www.treasury.govt.nz/publications/media-statement/interim-financial-statements-government-new-zealand-seven-months-ended-31-january-2022">https://www.treasury.govt.nz/publications/media-statement/interim-financial-statements-government-new-zealand-seven-months-ended-31-january-2022</a>	Jan 2021	34%	Jan 2022	35.3%	Better than predicted. Inflation will help reduce this further.
Household debt as % of household income <a href="https://www.rbnz.govt.nz/statistics/key-graphs/key-graph-household-debt">https://www.rbnz.govt.nz/statistics/key-graphs/key-graph-household-debt</a>	Sept 2021	173.6	Dec 2021	174.1	Creeping up. 168% in June 2019. Will tighter lending regs make a difference?
Credit Card Debt % annual change <a href="https://www.rbnz.govt.nz/statistics/c12">https://www.rbnz.govt.nz/statistics/c12</a>	Jan 2021	-6.3% \$6135 m	Feb 2022	-6.5% \$5873 m	A huge fall from Feb 2021. Households saving on credit cards expenditure.