



Wednesday, 25 February 2009

# Inquiry into community stores in remote Aboriginal and Torres Strait Islander communities

# Improving Policy Outcomes Through Clear Understanding Of Where The Key Success Factors Lie

# **Executive Summary**

Barry Orr - former Woolworths store manager. Now a regional manager with Outback Stores

"To run a community store effectively it is far more important to be across community engagement than it is to be across retail skills"

This submission focuses strongly on the 2<sup>nd</sup> and 3<sup>rd</sup> points in the enquiry's terms of reference.

It does so by critically examining the Outback Stores model which has fast become a predominant influence in the indigenous stores arena. We also acknowledge the great work done by ALPA over the last 35 years. We conclude that the OBS model can serve as a template to break out of the frustrating cycle of increasing service delivery expenditure leading to practically no sustainable change in underlying conditions.

Specific suggestions are made as to how government should lever on the model so that the key success factors can be effectively implemented across a large number of other indigenous programs.

Implementing these suggestions will be an important factor in developing cost effective programs which help to create indigenous communities with much higher levels of sustainability.

In our opinion, there has seldom been a better opportunity than this to get good outcomes in indigenous affairs.

If the committee finds the ideas put forward in this submission worthwhile, then we will be pleased to send a representative to a hearing to elabourate on these ideas and support the inquiry.

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# Critical Success Factors - Buy In & Professional Communication Skills

Currently, the general position held is that success in ensuring food security on communities will be assured through implementing a professional retail model with government programs (especially health and housing) plugging the gaps.

Nothing could be further from the truth! The evidence clearly indicates that, while such factors are important they are far from the whole story. The main factors critical for success have lain unrecognized by senior decision makers for a long time.

#### These factors are: -

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- Buy In genuinely engaging with those involved (individual and communities) and motivating them.
- Professional Communication as many people as possible are engaged and buy in to a shared vision.

Our inability to recognize these main factors means that they have been left to develop in a weak haphazard fashion at the periphery of decision making. Weaknesses around critical factors like these become strangulation points that limit the growth and success of whole programs. It is like a thin pipe joining two thick pipes. Water flow is limited to the capacity of the small thin pipe.

The presence of such strangulation points is not usually obvious in the first couple of years of a program. Everything seems fine in the flush of novelty and excitement of this initial period. But after a while, the strangulation points begin to come into play as 'hidden' and seemingly 'insurmountable' obstacles that block good outcomes and sustainability. In a sense they stare us in the face, yet they are very difficult to recognize as they lie **outside** the framework we use to analyze the problem.

The typical symptom is that a lot of money is invested (big pipe) into a serious problem that is crying out to be fixed (big pipe). Initially things look like they are going well (water starts flowing) but after a while outcomes flatten off or even reduce (small pipe limits increased water flow).

These are not abstract ideas. Far from it! They are recognized by cutting edge modern corporations as key foundations of success.

## **How Organizational Structures Affect Outcomes**

There is a need to be clear where the structural limitations of the administrative arm of government lie

The government needs to provide strategic leadership in the areas of Buy In (engagement) and Professional Communications.

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In this context, members of the elected arm of government need to be clear where the structural limitations of the administrative arm of government lie and how organizational structures based on the OBS model can be used to achieve far better outcomes per dollar invested.

The public service has been primarily fashioned as an instrument to amplify policies set by the elected arm and to deliver government services. As such, much of its focus has to lie inward to the relevant minister. Line management is essential. Conservation of policy messages is more important than innovation. Departments do not depend on 'clients' for their existence. Thus communication with clients is not driven by the powerful needs of survival.

Since the prime reason for the existence of a government department is to implement the policy intentions of the elected arm, very strict limits and procedures of accountability are needed to keep this on track. Of course there is limited flexibility but it is tightly controlled within the larger predetermined framework.

A business only survives long term if its clients perceive it has value for them. It must constantly communicate 'outwards' at a high level, innovate, adapt, remain ahead of the competition and grow. If a business is ineffective at achieving Buy In from its clients or if it over focuses 'inwards', it will not survive. It may even resort to asking for government subsidies!

There are many areas in indigenous affairs today that require high levels of communication skills, innovative approaches and the capacity to adapt. The indigenous arena is an environment which is least suited to the public service

A not-for-profit ethical business has the characteristics that make success most likely in working environments where communication skills, innovative approaches and adaptability are major elements. A core aim of all good businesses is to respond to their clients quickly and flexibly.

Although broad strategic policy directions are set through the parliament and public service, it is absolutely essential to set a very clear - in fact a watertight - line to avoid interference in business level strategic management. Such interference is like 'killing the goose that lays the golden egg."

Organizations which operate with strong line management have a tendency to try to manage others in the same way that they are run themselves. If this is allowed to happen - say in OBS's case - then the program will be run by the business in name only. The department will run the program by proxy with all the attendant weaknesses that go with its modus operandi.

The elected arm of government has to face the hard truth that it cannot have both increased control and increased flexibility. Two completely different organizational structures are needed to achieve these outcomes.

What government needs to do is to decide where on the continuum it wants to be between these two points according to the program it intends implementing. This will determine the sort of structure it chooses to implement the program.

One thing is for sure - high control has been correlated with very poor results over the last 35 years in most indigenous programs.

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# Historical Perspective

The NT Intervention is the current prevailing paradigm that shapes the delivery of services to indigenous people.

Over the last 35 years or so the welfare model has predominated. We should not forget that in the early 1970s that this model was an important innovation and step forward from the previous approach. As with most new models, in the early stages, its limitations had not yet become apparent. Only in the last few years have the majority of decision makers become aware of its limitations and the need to chart a new course.

The issues that are being raised today about its shortcomings— often by government itself - would not have seen the light of day 20 years ago.

We would do well to remember this pattern as we embark on setting up new models. We need to be as mindful as possible about the potential limitations of our own new proposals. They are often not obvious.

The difficulty involved in implementing the welfare model has revolved around the delicate balance of ensuring the rights of indigenous people versus the erosion of strategic decision making capacity in client groups who take part in welfare programs. In raising service delivery from low levels to mainstream standards, government has been the primary driver of the strategies involved.

Indigenous input, while sometimes acknowledged, has not been at the core of strategic decision making. Thus, while services have improved, the capacity for strategic decision making amongst client groups has atrophied from disuse. Ironically, strategic decision making capacity is one of the main things that underpins sustainability. Sustainability is critical in ensuring independence from continual government funding.

The NT Intervention is the current prevailing paradigm that shapes the delivery of services to indigenous people.

It is well worthwhile moving beyond arguments for and against the Intervention and the emotions they evoke. We need to take a dispassionate look at what empirical evidence there is for its general acceptance amongst the indigenous population of the Northern Territory.

It is revealing to see what indigenous people thought about the government of the day 5 or 6 months into the intervention through the privacy of the ballot box in the Nov 07 federal election. In the vast majority of remote polling booths the government party vote fell by about 8 -10% from an extremely low base of about 25%. That is a massive swing to very low levels by any standards. Check the results at <a href="http://results.aec.gov.au/13745/Website/HouseDivisionPollingPlaces-13745-306.htm">http://results.aec.gov.au/13745/Website/HouseDivisionPollingPlaces-13745-306.htm</a>

In contra distinction, in urban polling booths of the NT, the swing away from the government was significantly below the national average.

All other things aside, this outcome was neither advantageous for the government of the day nor was it a sign of high levels of endorsement and Buy In from indigenous voters. Without Buy In expenditure levels are usually far in excess of what they need be.

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If we make the conjecture that the majority of indigenous people now understand the Intervention better and endorse it, this then raises the questions of why the program was not effectively communicated to the clients on the ground at the time and what was the scale of wastage of good will, time, energy and funds that resulted.

#### The Outback Stores Model

John Kop - former senior manager at Coles. Now CEO with Outback Stores

"Only through sustainability will the initial investment in Outback Stores be realized."

John Kop, CEO, notes that a top down approach has clearly showed itself to be ineffective especially telling people what they should do and doing things for them.

Food security will never be achieved using such an approach. While OBS's standards must be of the highest professional level they must be - like any successful business - flexible and responsive to the realities of the working environment. OBS has to ensure both viability and longer term sustainability. This is generational.

The OBS model needs to be able to generate the revenue to cover the costs associated with sustainability. Such sustainability is not possible if OBS is required to manage stores that are not economically viable. Only through sustainability will the initial investment be realized. Sustainability is underpinned through engagement. Engagement is a two way process.

The only way to achieve engagement is to get Buy In from all the staff and the owners. That Buy In comes about through building capacity - especially indigenous store staff employment and store committee capacity. Relationship managers are critical to the success of this process. So are professional tools and techniques which build this capacity.

It should be remembered that over the last 2 ½ years Outback Stores has forged its way ahead largely in the context of the Intervention.

The OBS program has been driven by government at a faster rate than it would have been if it has been allowed to develop according to commercial best practice. Faster has not meant better.

Despite receiving short term funds from the Intervention, OBS has had to undertake unforeseen expenditures associated with managing economically unviable stores. The danger is that these will become a long term structural burden that reduce the effectiveness of the whole model. Unless separately funded, they represent a debilitating diversion of resources from key success areas.

Such post hoc requirements - coupled with the externally driven 'fast roll out' - have resulted in excessive strain at the operational level and reduced time available to build flexible long term procedures that underpin the success of an organization like OBS.

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The committee should consider it remarkable that OBS has been able to achieve the significant success it has under such counter-productive constraints.

However, this situation cannot continue for the long term. We suggest that the inquiry address these issues with immediate effect in order to reduce the pressures building up.

We further suggest that since OBS management is in by far the best position to implement solutions that they are given the required broad level support from the public service and are not micromanaged by people whose professional expertize is weak in the OBS sphere of operations. (Regardless of any good intentions they may have).

# Develop Professional Frameworks With The Right Funding Mix

Barry Orr - former Woolworths store manager.
Now a regional manager with Outback Stores

"The level of skills needed to run a community store are higher – overall – than the skills needed to manage a Woolworths store"

In terms of funding, the government must ensure a funding mix which is most favourable in terms of developing food security through viable and sustainable stores.

It needs to move beyond the ad hoc approaches currently being taken to critical success factors.

Effective professional frameworks need to be developed to ensure that Buy In (Engagement) and Professional Communication are being supported at levels that are commensurate with their criticality to achieving success.

In terms of health, government needs to look at a 'piggy back' model. It could make very good use of funding by using the existing – and already paid for – framework of organizations like Outback Stores and ALPA to deliver important health programs to communities. In the case of Outback stores this would mean an increase of funding to the Wellbeing section.

Clearly, the current situation, where minority success factors (such as retail) get nearly all the funding is not a recipe for sustainable success.

#### The Two Critical Success Factors Examined

Paddy Stephensen – Relationship Manager with Outback Stores
Part definition of a 'Relationship Space'

"This learning and sharing space is probably outside the commercial and governance space of a normal store or corporation operation."

At first glance it may seem a bit nebulous to the committee to talk about Buy In and Professional Communications.

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After all, isn't it the number of stores managed, the reliability of food transport, the number of houses built for store managers that are the results of primary interest?

Such outputs are important. They are a measure of how funds have been spent.

However, they do not measure sustainability. Nor are they measures of the extent to which a client group is growing stronger and able to live viably without continual welfare support.

If the government is serious about moving beyond continual welfare then it has to start addressing issues like Buy In and Professional Communication. It has to start moving beyond the 'output' mentality and framework. Staying within such a framework will keep programs locked into their current cycle. This is not a success cycle by any standards.

In short – hard as it is – government has to go beyond looking at outputs to looking at outcomes.

Looking at outcomes involves extra mental effort and professional expertize. Questions like 'the number of stores managed' have to be developed into questions like 'Who is managing the store – local people or outsiders?' 'Are local people being encouraged to manage the store?' 'Do local people express the opinion that the store is "their" store?', 'Do local people act as if the store were "their" store?', 'How will OBS evolve as the capacity of local people to manage their own store grows?'

Is it more sustainable and less costly to have 100 stores run by OBS in Dec09 (great output) where there is practically no Buy In from the local population, there is an attitude of 'it's not really our store, but let them do what they are doing", shop lifting is high and so on (low outcomes).....

.....or 25 stores (low output) are run by OBS in Dec 09 where there is high Buy In from the local population, there is pride and active involvement because 'this is our store', the capacity of the committee of owners is growing strongly so the Buy In and level of self management can increase, shop lifting is low and so on (high outcomes)?

Isn't the second option the best way to invest to get people off welfare <u>and</u> to make their lives more meaningful and happy? Government needs to start investing for high level outcomes like this.

It is great credit to OBS that it started investing – through its own initiative - in outcomes from the very beginning,

OBS spent significant funds on setting up a system of relationship managers. The title 'Relationship Manager' should be noted. They are not business managers. Their primary focus is **on the clients** – understanding client needs and wants. This professional approach provides OBS – as with any successful business – with significantly improved feedback from its clients. It helps OBS build a strong flexible foundation for sustained success.

It is human nature to tend to hear what we want to hear and to interpret answers according to our own frameworks. When organizations lack the capacity or foresight to actively listen to their clients as their <u>first priority</u> then they start building structures on sand. That is when they get onto a 'never ending' treadmill. This treadmill can be extremely expensive.

Symptoms of lack of listening include client passivity and disengagement, low or static outcomes in the face of rising inputs, and reinventing the wheel as combinations are tried and retried but within a framework that takes little account of the real drivers of success.

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The professional approach to managing what OBS calls the 'Relationship Space', is well illustrated by the following extract from a position document sent to us by Paddy Stephensen (Relationship Manager with OBS: -

#### 1. Relationship Space

- a. Creating a space for dialogue and sharing of information about the realities of viable store operations.
- b. Walking together. Show respect for the possible lack of understanding or possible suspicion shown by communities and store committees due to historical issues arising from dominant culture engagement styles and corruption.
- c. Being aware this learning and sharing space is probably outside the commercial and governance space of a normal store or corporation operation.
- d. Respecting that the development and maintenance of this space is a long term and ongoing task in view of the previous fragmented and failed dominant culture indigenous engagement.

It is important to remember these observations are not romantic pleas for what 'should' be.

We need to step away from moral imperatives at this point – however strong they may be.

The points raised above can be viewed purely from a 'hard headed' pragmatic point of view of an analysis of factors that are critical to the sustained success of OBS as a business (even though not for profit). Such analysis shows the power of bringing in the fresh eyes of the business model to indigenous affairs.

#### **Buy In**

The question is - what do organizations like OBS need to do to increase Buy In? How much will this cost? What value will result from the initial investment?

This is a complex question. We are only able to outline it in this submission. It is beyond our capacity to produce a lengthy document. However, as stated in the executive summary, we would be pleased to send one of our representatives to make a more detailed presentation to the committee in person.

Currently, in the indigenous program area, there is little awareness of just how important Buy In is. The focus is on giving out information and about delivering programs. Consultation is considered an 'add on' to this process — sometimes it is not considered necessary at all. It is certainly not considered to be a cornerstone in the foundation of success.

While staff in the public service are required to have reached certain formal standards in most areas of their jobs, there are no formal requirements regarding key skills involved in consultation and related processes.

The reality is that staff are expected to know how to consult (almost exclusively) by learning on the job. In fact, it is highly likely that were someone to ask two different staff members in the same department to define the key elements of consultation there would be two different answers.

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This indicates a very low level of priority indeed. It also indicates an unprofessional approach to such a critical area. This shortcoming is costing many many millions of dollars. This is money that could be used effectively elsewhere to improve indigenous peoples' lives.

#### **Professional Communication**

Modern corporations take communications very seriously from graphical PowerPoint presentations of their audited financial statements given to shareholders at AGMs to advertizing expertize designed to increase the sales of their products.

Normally, there is no equivalent level of resource allocation in government programs because it is not considered necessary. Budgets around communication are comparatively very small - except when government has a particularly important policy to sell.

In indigenous affairs, front line staff are required to communicate policies to a target group who are very clearly distinct from the mainstream. The probability of misunderstanding and miscommunication is very high.

Where the possibility of misunderstanding and miscommunication is high so is the possibility of programs not achieving outcomes. However, practically no departmental staff are given formal support in Professional Communication and presentation techniques. That is one of the main reasons that policies that seem so good in Canberra die in the water when implemented on the ground.

#### What Can Be Done?

Bob Loughnan - Regional manager with Outback Stores

"Outback Stores lives or dies according to the success of its store managers"

### Front Line Workers - (OBS Store Managers)

Their five main areas of operation are: -

- Cash handling
- Ordering
- Stock Control
- Customer Relations
- Community Engagement

Customer relations and community engagement are important areas for all businesses. In the indigenous field they are even more important. They are more critical for success than cash handling, ordering and stock control. It would be neither wise nor professional to leave them to be learned post hoc on the job through trial and error.

As a professional organization OBS will have factored in budgets to cover training and professional skills development in these areas.

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However, as OBS's knowledge grows and it becomes more efficient in its field of operations, it is becoming clear that customer relations and community engagement are a great deal more important than anyone realized at the initial planning stages **before** OBS was set up.

OBS needs to generate the required revenue to ensure that its store managers get systematic professional in-depth training in customer relations and community engagement appropriate to the indigenous market it is operating in. This requires far far more than just a one day cross cultural training course. Ongoing in-depth support is needed. The skills involved are high level and complex.

Until OBS can generate the required revenue, government needs to ensure the correct funding mix is allocated to OBS so that such training can be properly implemented.

If OBS is not able to invest in its managers to ensure they have the full skill sets needed, then there is no way viability and sustainability will be achieved. There may be the appearance of success for the short to near mid-term – but continual long term funding will be required.

#### Relationship Managers

Relationship managers are critical to the success of OBS. The nearest government currently has to relationship managers is its Government Business Managers.

It will be instructive for the committee to look at the pay rates, skill sets, policy/procedural directives and professional back up and training provided for each group. Unfortunately we do not have time to elabourate on this, but strongly recommend the committee looks at this in depth – especially in terms of outcomes achieved for dollars invested.

#### **Store Committees**

It is vital to build the capacity of store committees. If the owners of a business are not able to run it for themselves how will the business ever survive without outside help? Outside help means recurrent on-going costs. Government will have to pay for these costs.

The question that government needs to ask itself is whether it is prepared to commit to continual funding for the foreseeable future to cover these costs to ensure that stores remain viable and food security is assured?

Alternatively government may consider it cheaper and more effective to invest in building the capacity of these committees so that they are able to gradually take over the tasks that were funded externally? This alternative seems the wiser option.

#### Disclosure Of Interest

Little Fish has been doing a considerable amount of work with the OBS team. This has given it a good insight into how OBS operates and an appreciation of the potential of the model to be highly effective across many areas of indigenous programs – not just stores.

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As with any organization there are certainly areas that OBS can improve on. However, we have been deeply impressed with the high level of professionalism of the OBS team and the capacity of the team members to take a lead in addressing complex issues around viability and sustainability.

We have been engaged in passing on our corporate knowledge and skill sets by implementing affordable sustainable systems which OBS staff can run by themselves. This is a good fit for both our organizations, because it mirrors Little Fish core values with what OBS is trying to do with its own clients.

# A Final Counterpoint - A Story

Eddie Miles - Relationship Manager with Outback Stores

"Since the previous manager has left and the old manager has come back, people at community xxxxxx have been steadily bringing back stolen goods into the store to give back to the old store manager (who has restarted work there)"

Stories are a powerful counterpoint to logical expositions. So we finish with a story!

Store xxxxx in community xxxxx had been in a lot of difficulty before OBS started managing it. OBS put in a lot of time, effort and money to get this store going again. In the light of its previous experiences, the local population were pretty cynical about OBS and what it was doing.

After a while, OBS appointed a new manager – with his wife and family. Things turned out well. They knew how to get on with the people there. Gradually people started to come and work in the store. Gradually a feeling of pride began to grow in the community. The store manager worked hard at the central parts of his job – customer relations and community engagement. He did not see it as a peripheral to his retail skills. Anyway, for some reason, he was really good at this.

Then it was necessary to change store managers. The new managers had the same retail skill sets as the old manager. But these managers were very ineffective in community engagement. Gradually all the store workers stopped working. Shop lifting started to increase. The store started to get broken into with monotonous regularity. Profits dropped. The new managers couldn't see why this was happening as they felt they were applying their professional retail skills with all their energies. There was even talk of a costly exercise in building a 'fortress' store with wire mesh everywhere.

Eddie Miles, relationship manager, has a high level of professional expertize at the "Relationship Space". His assessment was that the new store managers had low skill levels in community engagement. Community engagement was the critical factor. These store managers needed to be transferred and if possible the old store manger sent back immediately.

Because the professional expertize of relationship managers is given due recognition in OBS, the advice was accepted at a high level meeting and acted upon flexibly in a very short time.

The result: Within a short time all the store workers had returned to work. Break-ins dropped to nil. Buy In from the community rose from very low levels to high levels. But most significantly of all – community members went and searched out goods that had been shop lifted from the store and began bringing them back in.

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Imagine that happening in a mainstream store?

The Moral: (Point of the story) - Look at all the energy and good will now put into the store by the community population. Imagine the effect if that could be achieved across Outback Stores. Imagine the effect if that could be achieved across just a minority of government programs.

We need to foster and encourage Buy In and Professional Communication. We need to properly support and financially reward people - like OBS relationship managers - who have these critical skills. We need to move beyond the ad hoc attitude of just learning things 'on the job' and make the skills involved explicit and transferable in a professional way so we can multiply effects like these.

Indigenous people will be better off. A lot of money and resources will be saved.

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