



DRIVING FORCES

Adding peak performance to business practice

NEWSLETTER

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Still waters run deep: observations from the Middle East and two books with lessons for NZ business.

The Ineson's have been itinerant travelers for 30 or more years and this year was no exception. We chose as our "hunting ground" the Middle East, or more specifically, Iran, Syria, Lebanon and Israel (having previously been to Egypt and Jordan) with the UAE and Qatar thrown in for good measure.

It is an interesting mix of countries from which a number of personal observations can be made that also contain a number of lessons for business.

- At best, the western world has a superficial view of the ME; at worst it is biased (a lack understanding perhaps?). Ironically the same applies in reverse.

- The ME has a long, complex and at times a bloody history. It was the cradle of civilisation some 6000 years ago. At its height it led the world in science, arts, medicine, mathematics, philosophy, navigation, architecture. But long histories also create long memories.

-It is not a generic bloc but a diverse group of nations in terms of language (Arabic except for Israel (Hebrew) and Iran (Farsi)); religion - three primary religions - Islam, Christianity and Judaism; politically - theocracy (Iran), democracy (Israel), oligarchy (Syria), republic (Lebanon) and kingdom (Jordan); economically (Iran and Syria have oil, Israel and Lebanon do not)

-Due to a combination of intertwined factors the geopolitics of the region are dynamic, tense and palpable. The Palestinian/Israeli question; convergence of the three primary religions in Jerusalem; Israel's - military and strategic supremacy; Iranian nuclear ambitions; international sanctions (Iran and Syria); internal tensions (Lebanon, Iran and

Israel); border tensions (the Golan Heights overlook Beirut and Damascus); conflicting expectations of Hamas in Palestine and ultra orthodox Jews in Israel; continual looking back to the past rather than to the future (everyone); distrust of the USA; ambivalent role of Saudi Arabia and its Arab neighbours; lack of understanding about the West mirrored by the West's lack of understanding about the ME;

Spending long hours travelling to these destinations was a good opportunity to catch up on some reading. Two publications that stand out and are relevant to NZ business are:

- [Economic geography, globalisation and New Zealand's productivity paradox. Philip McCann, Dept of Economics, University of Waikato and -](#)
- [A Colossal Failure of Common Sense. The story of the collapse of Lehman Brothers. Larry McDonald with Patrick Robinson.](#)

The economic paper examines the lack of NZ's economic performance. It argues that despite the reforms of the '80s and the fact NZ leads the world in many areas of best practice (according to the IMF, World Bank and others), NZ has focused on the wrong models, principally labour productivity and infrastructure, whereas it should have been focusing on economic geography - that is NZ's location vis a vis the rest of the world and its lack of internal and external critical market mass. It offers a range of solutions including the politically unpalatable one of federation with Australia.

Lehman Brothers collapse is the story of the failure by its principals to read the signs (albeit flagged by senior managers) and comprehend the consequences of putting all their eggs into one investment basket - the sub prime property market -over which it had no control; the uncontrolled and unregulated leveraging resulting from this, greed and their unwillingness to take on board the risks associated with such a strategy that eventually led to the collapse of the company.

So, what are the lessons for business to be drawn from the ME and the two publications?

Unresolved systemic issues: The point in common between the ME and the two publications is both are about deep seated systemic issues that either have been identified but not resolved (ME) or were not identified until it was too late to resolve them (Lehman's).

In the case of the ME there are deep seated *generational* issues that have been evident and festered for many, many years. Eventually a solution will be found but not before a lot more grief and shedding of tears.

In the case of the two publications, they identified deep seated *contemporary* issues both of which impact on business and eventually on the nation.

Lesson: *Issues become deep seated largely because people allow them to. Wise business leaders use every opportunity to resolve them long before they become toxic.*

Misleading perceptions: There are essentially two sets of perceptions about the ME: how the West sees the ME and how the ME sees the West. The former see the ME, especially Iran and Syria, as sources of trouble, not to be trusted; the latter see the West, especially the USA, as self interested and bullying. Neither views are entirely correct but there is a greater need for a better understanding about the aspirations of both.

Lesson: *Understand the other party's point of view, their values and the cultural differences between you. Smart businesses invest time and money in this – it's called relationship building.*

Long history, long memories: The people of the ME have a long history. NZ (and the USA) does not. During this time they led the world; their lands have been conquered and re – conquered; they have seen and experienced it all. From this they have learnt nothing lasts forever, that life is cyclical and their turn will come again. Respect is highly valued in the ME. The lack of it by the western world has not gone unnoticed. Memories are long.

Lesson: *Successful businesses not only respect their customers and suppliers but they also respect their competitors, especially those who have been in business for some time and learn from them (they must have been doing something right).*

Diversity and opportunity: The ME is a complex and rich mix of people, languages, cultures, religions, traditions, politics and economies.

Although they are not a homogeneous bloc they have a number of fundamental features in common – history, ethnicity, language, religion, location, geo politics and this is recognised by many trading nations, not the least by China, Russia, Brazil, India and, despite the sanctions, by many European countries too.

Lessons: *Smart businesses recognise the importance of not having all their eggs in one basket; that diversifying their markets spreads the risk and thus they tailor their products and services to meet the needs of their markets.*

Compensate for lack of critical mass: The ME as a bloc has critical mass and is building on this through various bi and multi lateral trade arrangements. The impression given is the ME is made up of a combination of merchants and traders and large oil, petrochemical and cement producing conglomerates who, like their forebears, are willing to trade with the world. There is scope for small nations like NZ to create niche markets. Many NZ businesses are already doing this.

Lesson: *The thrust of economic paper about the lack of critical mass is a reality for NZ. The upside is it ought to encourage more NZ businesses to consider expanding their scope from a small domestic market to larger ones like the ME.*

Drivingforces hopes these observations will help your business, in whatever shape or form it takes, commercial or not for profit, to prosper and grow in 2010. *Inshallah.*

“Arise, we have an eternity for sleeping!” - Omar Khayyam (from the Rubaiyat - selection of Persian poems - of Omar Khayyam, 1048 – 1131, translated by Edward FitzGerald).



“A desire for Peak Performance is the force that must drive every successful organisation.”

For further information about Drivingforces contact Chris Ineson at www.drivingforces.co.nz