



Succession planning: you should have made it a priority yesterday at the latest!

by Bob Panitzki, CEO Furntech-AFRDI

How many books have been written about how 'Old Fred' slaved to build the business up, how it became highly profitable, and how his kids squandered their inheritance, because they weren't interested in running the business?

Yet all too often, the subtext to the plot is that Old Fred was so busy doing what he did best, that he didn't take the time to figure out how the business would continue when he could no longer hold the reins. In business, we recognise the necessary process as succession planning, but how often is it considered realistically?

Wikipedia define succession planning as 'a process for identifying and developing internal people with the potential to fill key business leadership positions in the company. Succession planning is said to increase the availability of experienced and capable employees who are prepared to assume these roles as they become available. Taken narrowly, "replacement planning" for key roles is the heart of succession planning.

It's a vital question in the furnishing industry, where in many cases the founder of the business has built it up, and even though normal retirement age may already have passed by, there is a lack of willingness to hand over to someone younger. Couple with this the reluctance sometimes felt by older people to adopt new business strategies, to adopt electronic aids to business, and it is easy to see how a thriving firm may lose visibility in the marketplace.

What to do? It's sometimes said that the best way to get succession planning that is both real and relevant is to encourage a mindset of talent development within the organisation. It starts with recruiting superior people, and nurturing their talents, and letting them get used to having responsibility.

Wikipedia quotes (un-named) research which nevertheless seems to sum up what is required for successful succession planning.

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Season's Greetings from everyone at Furntech-AFRDI. Thanks for your business in 2013. We look forward to working with you again in 2014.

UK reports rising optimism among smaller manufacturers, despite weak market activity.

According to the Confederation of British Industry (CBI), more businesses than ever are positive about their chances of survival than at any point since April 2012.

In its latest small and medium-sized enterprises (SME) trends survey it was found that domestic orders were static and export orders fell - despite expectations of strong growth. This was partially caused by inflation but also because of continued poor performance in the Eurozone market.

The continental region is still an attractive target for SMEs because of free trade agreements and physical proximity, but many politicians and business experts are worried that firms are not doing enough to diversify their customers in the face of a changing global economy.

Prospects for the quarter ahead are slightly better than last, with output expected to stabilize and new orders to contract at a slower pace. Despite this, manufacturers have reduced their expectations of growth to the lowest in the year.

Even with all of this negative news, optimism is rife among SME owners surveyed by the CBI, largely due to a strengthening domestic economy, which may finally be seeing the benefits of the Bank of England's earlier quantitative easing program, as well as the coalition's austerity scheme.

Anna Leach, CBI Head of Economic Analysis, said: "Despite another disappointing quarter for small and medium-sized manufacturers, with output continuing to fall, optimism about the general business situation has risen for the first time since spring last year.

"Firms expect demand to improve both at home and abroad and production to stabilise over the next three months."

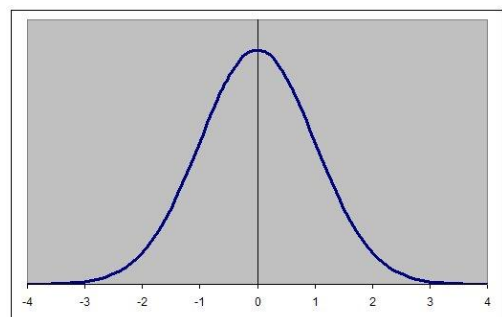
While the manufacturing sector is expected to be a big player in the UK economy's future recovery, the vast majority of the nation's gross domestic product contribution still comes from the service sector.

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The following objectives tend to be core to many or most companies that have well-established practices:

- Identify those with the potential to assume greater responsibility in the organization
- Provide critical development experiences to those who can move into key roles
- Engage the leadership in supporting the development of high-potential leaders
- Build a data base that can be used to make better staffing decisions for key jobs

There are a lot of fancy words which can be applied to succession planning, but at the end of the day, it probably comes down to a simple proposition: identifying, managing and nurturing the talent within your company.



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Major compensation payment after injuries related to collapse of office chair

Case reinforces importance of product testing and certification

A Canberra woman injured when an office chair collapsed under her has had her compensation raised to more than \$1.1 million in a private court case.

Terry Anne Downie had been working as a team leader at the Community Information Referral Service ACT in June 2002 when she purchased furniture from Ex-Government Furniture, Fyshwick, including a chair for her own use, identified in court as supplied by Jantom Company Pty Ltd, and most likely a model JT 102, with a manufacturer's recommended weight restriction of 120kg.

She was paid \$190,000 in workers' compensation in 2005. She then took civil action against the chair's manufacturer, Jantom, claiming negligence. Her employer claimed against the manufacturer for the amount paid in workers' compensation, arguing negligence and indemnity.

Background to the case:

The chair was manufactured in China, imported to Australia and supplied to the office furniture retailer in kit form.

Record of failure:

Records tabled during the court hearing indicated that between September 2001 and July 2002, 22 Jantom chairs had been returned to Ex-Government Furniture Pty Ltd for repair or replacement. Eight of the chairs had broken bases. It was established that the bases were not manufactured by Jantom.

Was the Jantom chair tested?

AFRDI CEO Bob Panitzki states that the Jantom chair was not certified by Furntech-AFRDI. He added: "AFRDI recommends that furniture is tested and certified, first to ensure duty of care towards end users is addressed, along with establishing suitability for purpose, and secondly, in the event of unexpected failure, as a defence against liability claims.

"At AFRDI, we test office chairs principally to AS/NZS 4438 – this covers strength, durability, fitness for purpose and flammability if appropriate. Increasingly we are calling on our Rated Load standards to test chairs destined for heavy people, that is, people who weigh substantially more than the 110 kg nominal loading implied under AS/NZS 4438.

"Allied to all this is component testing under AFRDI Standard 109. This test covers many chair components, including the bases, and is a safeguard against the occasional failure of these components.

"At the end of the day, our testing spells one thing – you can trust a product which has been tested and certified by us."

Full details of the case can be read online [here](#).

NEWS BRIEFS

Chair recall in the United States

In an unrelated issue, Staples Inc in the US has voluntarily recalled about 3,300 chairs, because of the risk that their bases could break, according to the US Consumer Product Safety Commission. The chairs have been identified as the Bermond Manager's chair. The action follows receipt of 41 reports by Staples of chair bases breaking, including three reports of user injuries.

Stool recalled in Australia

Product Safety Recalls Australia reports the recall of a plastic folding stool, sold by Masters Home Improvements, and carrying the article number 1003313274. The stools are rated at 100kg, but it's been found they may collapse under load, resulting in personal injury. People using the stools should return them to a Masters store for a full refund.

Bullet Proof Chair

Neutral Posture in Texas has developed an office chair with a detachable bullet resistant vest to protect employees and to reduce what it calls 'fear in the workplace.'

A recurrent theme: Re-shoring, or bringing business back home

The push by Wal-Mart to return manufacturing to the U.S. has gathered more momentum with the global retailer announcing that three companies will support the return of manufacturing operations in Georgia, South Carolina and Pennsylvania.

It follows on an announcement earlier this year when Wal-Mart pledged to purchase in the next 10 years an additional \$50 billion in U.S. made goods. Company officials have said they hope to boost U.S. manufacturing – often referred to as “onshoring” – by purchasing more sporting goods, apparel basics, storage products, paper products, textiles, furniture and higher-end appliances.

Apple will open a manufacturing plant in Mesa, Arizona, according to the Washington Post, amid a wider push to bring some manufacturing jobs back to the United States. The plant will initially employ at least 700 workers, with more jobs to come. It's part of a program by Apple to bring more jobs back into the United States.

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International Recognition for Work of Local Furniture Safety Committee

The United States Consumer Product Safety Commission (CPSC) has given high commendation to the work of a safety standards committee which works across Australia and New Zealand, and which includes representation from a Launceston company, AFRDI.

The CPSC award is the Chairman's Circle of Commendation, awarded by the CPSC's chairman Inez Tenenbaum, and given to five awardees for their significant lifesaving contributions to consumer product safety, both in the United States and around the world.

The Australian award recipient is Standards Australia and Standards New Zealand's committee CS-003, a joint committee covering safety requirements for children's furniture sold in Australia and New Zealand. AFRDI's technical manager, Ian Burton, is a member of the committee, and has made significant input to its findings.

The committee drafts, maintains and interprets national and bi-national standards relating to infant and child products. In May this year, a test for mattress firmness developed by the committee was published as a new Australian and New Zealand Standard.

"The mattress test developed by CS-003 is the first of its kind in the world," says CPSC's Inez Tenenbaum. "It outlines a method of testing all horizontal infant sleep surfaces and can be applied in laboratory, retail, and home settings."

Ms Tenenbaum says the CPSC understands that on average, products which fail the test are three times more likely to present a risk of fatality than products which pass. She says the new test method for firmness will also allow investigators inspecting the sleep environment of infant fatalities to assess the firmness properties of the surface where a child lies down. *(A mattress which deflects too easily may contribute to an infant smothering, and an ill-fitting mattress may allow a child to become trapped between the base and the lower parts of a cot side, for example, leading to suffocation).*

The award from the United States CPSC is the second award given to the CS-003 committee this year. Earlier, Standards Australia gave the committee its Outstanding Committee Award for its work on safety requirements for children's furniture.

Ian Burton describes his input to the committee as being strongly focused on the methods of testing and evaluation, with other members providing a focus ranging from a medical standpoint, to the consumer magazine Choice.

The committee addresses safety issues relating to, amongst others, bunk beds (AS/NZS 4220), household cots (AS/NZS 2172), folding cots (AS/NZS 2195), hardness of mattresses (AS/NZS 8811:1) and safety of high chairs (AS/NZS 4684).



AFRDI technical manager Ian Burton with one of the recent awards for the work done with CS-003.

Does paying a 'gift' in business bring improved productivity?

Christmas may be the time for giving, as the saying goes, but some academics in the United States have carried the principle a step further, with unexpected results.

Intuition might tell us that showing the money motivates, and that increasing an employee's salary should correspondingly boost his or her motivation. It does—under certain conditions. The evolving field of behavioural economics is challenging the assumption that more money inevitably leads to increased effort.

In the study that he conducted along with Harvard colleagues Duncan Gilchrist and Michael Luca, Harvard Business School Professor Deepak Malhotra set out to answer a basic question: "Do employees work harder when they are paid more?" As Malhotra, the Eli Goldston Professor of Business Administration, said in an interview, "Previous research has shown that paying people more than they expect may elicit reciprocity in the form of greater effort or productivity."

Malhotra and his research team, however, found that paying more only led to greater productivity when the additional pay was presented as a gift, with no strings attached.

In the field study with 266 workers, three groups were hired to do a one-time, four-hour data entry task via the Internet labour market oDesk.com, which allows for online recruitment of freelancers from around the world. "Keep in mind," Malhotra said, that "all of these people previously made less than \$3 per hour where they live." Employees in one group did not know of the existence of the other groups. One group was given a lower starting pay rate (\$3 per hour) and another a higher one (\$4 per hour).

Evaluating the work effort and performance of the low-pay versus the high-pay group, Malhotra said that "employees who were promised \$4 worked no harder than those who were promised \$3." Higher pay didn't lead to statistically better performance.

"Think carefully not just about what to pay employees, but also how to pay them."

"When someone is paid \$4," said Malhotra of the findings, "even though it is more than they are used to making or expecting, there may be no reason for them to interpret this as a gift or concession from the employer. More likely, they just assume that their expectations were wrong, and \$4 is 'the going rate' for this type of work." So paying more elicited about the same employee effort as the lesser rate.

The third group brought the most provocative results. Its members were initially offered \$3 per hour, but then received a surprise one dollar increase to match the higher-pay group. The pay increase was not related to performance. It was offered immediately after employees had agreed to work for \$3 because, they were told, "we have a bigger budget than expected." So the additional dollar was perceived as a gift, Malhotra said.

"Those who were promised \$3 but then later were given an additional \$1 worked significantly harder than the other two groups," he said. "We attribute this to the salience of the gift: It was obvious to them that we didn't have to give this additional compensation, but that we had chosen to." The gift "signaled that we had done something nice for them which they may want to reciprocate." And they did reciprocate, with higher productivity.

Indeed, the "gift" group of workers performed with "roughly 20 percent higher productivity than both" the other groups, the study said. And for some employees who had more experience, the boost in productivity was much higher. Moreover, the gift group maintained better focus throughout the work, and performed especially well late into the assigned task.

What do these findings, which Malhotra described as "\$3 + \$1 is more than \$4," mean for real-world companies? He suggested that companies should "think carefully not just about what to pay employees, but also how to pay them. The same amount of compensation can be structured in ways that will be more or less appreciated and reciprocated."

Product liability– know your responsibilities to customers

Under the Australian Consumer Law, consumers who suffer loss or damage because of safety defects in a manufacturer's goods when supplied in trade or commerce can:

- take the manufacturer to court (a court can award compensation to cover the loss or damage), or
- make a complaint to a consumer protection agency, which may take action on the consumer's behalf.

When does a product have a safety defect?

A product has a safety defect if its safety is not what the community is generally entitled to expect. While the level of safety will vary from case to case, it is ultimately for the court to determine whether a product has a safety defect. There are various factors the court will take into account when making its determination, including:

- how and for what purposes the product has been marketed
- the product's packaging
- the use of any mark in relation to the product
- instructions for, or warnings about, assembling and using the product
- what might reasonably be expected to be done with the product
- the time when it was supplied

A good will not necessarily be considered to be safe just because it complied with a Commonwealth mandatory standard. Expected levels of safety differ for older products because they cannot be expected to be as safe as brand new products. Similarly, older models of products would not necessarily be considered defective simply because more recent models have improved safety features.

Who may be liable for supplying a product with a safety defect?

The product liability provisions of the Australian Consumer Law will generally apply to a manufacturer that supplies the goods in trade or commerce. A manufacturer includes a company that:

- makes or puts together the product
- imports the product, if the maker of the goods does not have an office in Australia
- uses its own brand name in relation to the product
- holds itself out to the public as the manufacturer of the product
- permits another person to promote the product as having been manufactured by the company.

A retailer can also be a manufacturer of the product and therefore liable.

When can a consumer seek compensation?

A consumer can seek compensation from a manufacturer who has supplied goods with safety defects, if the goods caused loss or damage.

'Loss' and 'damage' can include:

- injuries to the person making the claim, or injuries or death to another individual
- economic loss caused by damage to, or destruction of another good, land, a building or a fixture.
- If a person takes a manufacturer to court and wins, the court decides how much compensation is due.

Who can bring an action for compensation? What type of loss may be compensated?

The Australian Consumer Law allows anyone to claim for personal injury or damage to private property (including land or buildings) resulting from a safety defect in the product. This includes dependants of a person injured or killed by a safety defect in goods can also claim for the losses they suffer as a result. Damage to commercial property is not covered; nor is any loss arising from a business relationship, such as loss of profits. The Act also excludes losses for claims made for workers' compensation and losses regulated by international agreements.

Check on the value of product testing at "Product Safety - A guide to testing" [here](#).

NOTE TO SUPPLIERS AND MANUFACTURERS: New bunk bed rules apply to those providing short-term rental accommodation in Queensland, who are now required to meet the mandatory bunk bed safety standard. The key safety feature of the new rules is that top bunks must have safety rails, and there must not be any gaps enabling a child to slip through, or to trap a child's head.

Under the new regulation, it is illegal to supply or offer rooms in hotels, resorts, holiday camps or other short-term accommodation that have non-compliant bunk beds where people up to the age of sixteen are likely to stay. www.productsafety.gov.au

ACCC Chairman explains organisation's aims

In a recent address, updating Compliance and Enforcement policies, ACCC chairman Rod Sims sought to clarify some of the drivers behind the commission's *modus operandi*.

A successful and well functioning market economy needs the incentives for innovation and dynamism that only competition can bring, and it needs the clear boundaries for commercial behaviour provided by effective competition and consumer law.

For our competition and consumer law to be effective there are a number of things that are important. First, strong enforcement by the ACCC is at the top of the list. In many respects this is our core strength. By taking action in areas where we believe there is great detriment we make it clear where the commercial behaviour boundaries are and what the consequences are for crossing the line.

The real power of strong enforcement, however, is that our initial investigation contact with companies can often change behaviour. The more companies see us taking others to court for alleged breaches of the *Competition and Consumer Act 2010* the more powerful our informal approaches become, and so more matters can be dealt with well away from the courtroom. Overall, we are more effective.

Second, and particularly in enforcement, the ACCC needs to be proactive. It is not sufficient that we simply act on what is presented to us; we must also actively look out for the main problem areas and seek to address them.

Third, we need to seek to get the big and usually very public decisions right. Important authorisation, merger, enforcement and regulatory decisions are important in at least two ways: they are important in themselves and they illustrate the approach we take, albeit more quickly, to all other matters.

Fourth, we must be practical. This means grounding our decisions in real world understanding, gained in part through detailed discussion with the parties and, importantly, those familiar with the industry and circumstances..

Fifth, we must recognise that, while effective competition will clearly yield the best outcomes, we will always have monopolies that will need effective regulation.

Finally, and crucially, the ACCC must explain what we are and are not doing, and why. This is fundamental to achieve strong compliance with the law, and so that people can have a better understanding of how and why our market economy works for them. **You can read further details of the Chairman's speech at www.accc.gov.au**

Standards update

Review of **AS/NZS 3813:1998 Plastic monobloc chairs**. The project is well under way. A draft for public comment is expected early/mid 2014.

Review of standards **AS/NZS 4442:1997 Office Desks** and **AS/NZS 4443:1997 Office panel systems - Workstations**. Standards Australia have accepted a proposal to review the standards for office desks and office panel systems / workstations with the aim of updating requirements and to clarify and improve the test methods to accommodate the design developments and workplace design changes that have been introduced over recent years. The first meeting of the working group has reviewed a first draft. The working group will meet again in February.

A project to review some appendices of **AS/NZS 4610.3** has been approved by Standards Australia.

A review of **AS/NZS 4386.1** and **.2 Kitchen Standard** is also under way.

AFRDI Board changes

AFRDI welcomes two new directors to the Board. They are **Patrizia Torelli**, the chief executive of the Australian Furniture Association, and **Matthew Moore**, manager of product development with BFX HO Pty Ltd. Board member **Joe Mimmo** has retired.