

MAN OR MACHINE?

By Schon G Condon

With each step forward we see all manner of human activities replaced by machines, soon they'll even be driving buses, trains and trucks. I often wonder what the tax department would do these days if it was forced to assess all its returns manually, it has actually been within my professional career that they once did. Clearly there has also been some significant improvements within the fields of accounting that have seen the fact that elementary accounting is now within the realms of the small business owner should they chose to do it.

Not only will these programmes do the basic accounting but they will also provide the user with a plethora of reports, summaries, graphs and the like to either inform or entertain, depending on the level of understanding. However as we progress forward we are now seeing the early stages of programmes that purport to not only record and summarise but they will analyse and advise as well!

To achieve these types of solutions such programmes are designed based on complex algorithms (mathematical formulas) that set out relationships and reactions with various potential events. Such programmes drive many share trading processes conducted by fund managers; a very simple example would be one set for a fund set to invest in the top 100 ASX listed securities, the formula would say something like "if share priority is greater than 100 then sell share." These are then overseen, to some degree, by managers. This automation is what worries many' as if allowed to run out of control, then they can actually throw a market into free fall.

So, to design a system of algorithms that will be able to adequately make allowance for the overall changing market environment, the experience and training of the owners and/or managers, the specific competition, the weather, the state of the business's staffing at a given point in time, changes to legislation and competition, the fact that a major accident or the like occurred in the area, the emotional state of the parties at the time, and the plethora of other factors that someone with a reasonable mind would take into account in making rational business decisions, or for that matter providing reasonable business advice.

In his book "Heroic Leadership," Chris Lowney (a former Manhattan merchant banker) questions the use of 'sportspeople' as role models for business leaders. The logic that he is putting forward is that sports are played on a playing field, with both sides having the same number of players, with fixed boundaries, referees there to consider every breach of the rules, and rules, purportedly, put in place to make things fair. As he says, "business is anything but that."

The idea of creating standard 'plays' in such an environment is understandable but when there is no guarantee of what will happen next this is less the case. Don't get me wrong however, I am in no way suggesting that developing procedures and processes that speed up and make a business more efficient should be abandoned. This is categorically not the case, today such systems are a critical survival tool to business.

What I do query however is one's ability to recognise the difference between process and leadership. Many years ago we had a client who had created a CEO dashboard, it

was all shiny like a 1950's American car dashboard. It was designed so that the CEO could sit at his desk and watch his computer; provided all the gauges were in the 'green zone' then all was well; or at least one would hope so. Humans being the resourceful things they are I'm sure someone would sooner or later work out a way to do less but still manage to keep the needle in the green zone; and as we know predictably, sooner or later the business would fail.

We can't stop these systems being developed, but we can warn about their use. I suspect that they will have a similar worth to your daily horoscope, if your horoscope said today is your lucky day, then I still wouldn't advise you to put everything you own on the first race at Randwick!

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