



**Australian Transformation and
Turnaround Association**

The importance of the Chairperson, Board and CEO in transforming organisations



This paper is the result of nine months of research from AusTTA with Boards of listed companies, private organisations and Federal and State Government departments

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Open letter to Chairs of organisations

"At least 40% of businesses will fail in the next 10 years if they don't change their entire company to cope with new technologies."

John Chambers, Executive Chairman, Cisco Systems

Boards need to take responsibility to ensure their organisation does not fail.

Organisations are struggling. Technology - and competitors that apply it best - are changing everything about how we live, work, consume and conduct business.

Technology is advancing so quickly that organisations are no longer able to keep up, or even predict what their own market is going to look like in a few years' time.

Leaders of companies and government departments must prepare for the increased uncertainty.

We need to rethink of the role of the Chair. Chairs need to be active; **a Transformational Leader who prepares their organisation for change** and for situations that that no one can accurately predict. A Transformational Leader provides companies with the transformational knowledge and tools to be able to reinvent themselves with urgency.

It's up to the Chair to recognise when their own leadership team doesn't have the necessary skills to drive change. What happens to an organisation that has an excellent operational Chair or CEO, but with no skills in transformation? It's the Chair's responsibility to lead the change by engaging an advisor who is skilled in transformation.

The Chair's choice to act now or wait makes the difference between success and failure!

It's difficult to transform your organisation. It's especially difficult for industry leaders who are doing well.

Our research has found that leaders with the most engagement with the transformational journey are the ones who have the hunger for change. There's a Transformational Chair leading the Board and appointing a great CEO. **It's a leadership issue!**

Following are some experiences and thoughts from one Chair to others. I, and the AusTTA team, hope you find this report useful.

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What makes leadership success during stress?

Leading an organisation today is more challenging than ever before.

For an organisation to survive the changes ahead, it needs to ensure it has Transformational Leaders who have the knowledge and skills to make the day-to-day decisions that can reinvent its business model and create its future success.

These Transformational Leaders are people who:

- have the ability to plan and carry an organisation into an unknown future and unseen disruption challenges.
- prioritise the optimisation of customer-value as the path to optimising shareholder-value.
- operate on a strategic level to manage people and implementation of change.
- use evidence-based management and tools to manage the transformation journey.
- are innovative problem solvers.
- maintain control and focus while transforming core products/services - or expanding rapidly.
- understand the importance of the company's people, and can minimise distress for staff during the transformation.

Very few people have the background and skills to be a true Transformational Leader. There are about 250 to 300 people in Australia who have the skills to lead a major turnaround and transformation for a big company or government department.

Our research has shown that Transformational Leaders have a particular set of skills that they have developed over time. They love the big challenges. Many are self-trained and self-selected, with career paths that show they have a successful track record in helping companies transform.

Operational Leaders

Their focus is on smaller improvements; nurturing, guiding and driving the organisation. They battle every day for incremental YOY growth, and they achieve their goals. Good Operational Leaders are important to the success of the organisation. However, if you only make Operational changes, your organisation will slowly decline.

Transformational Leaders

Has a mentality and skillset that is honed to be able to lift organisations up and take them to a new future, where there is an impact of 30% or greater on the way it does its business.

A good Operational Leader plans for business changes they can predict.

A Transformational Leader plans for changes that cannot be predicted!

If you don't have what it takes, don't fear. You can partner with people who have the required mentality, experience and skills to ensure organisational success and accelerate past the existing players.



Unknown Future, Known Skills

When today's leaders look to the future, there are many elements that will significantly impact the way they operate: new and emerging technologies, business models and increasingly complex competition. They don't fully understand the impact that these changes will have on the organisation.

Several aspects are required for change to be successful. One required change is managing the existing business, but also taking leaps forward - whether that's technology driven, hiving off segments of the business, or restructuring the business model.

That's what people normally define as "Transformation". But that's not enough. Traditional leaders can turn a company around, but it doesn't necessarily put the company into rapid growth that investors and staff like to see.

Rather, tomorrow's successful Transformation Leaders are those who embrace the "Unknown/Unknown".

Transformational Leaders reach into the future for an **Unknown technology/Unknown business model** because that's where the growth is going to come from. It sounds challenging, but it can be done - and has been done – and must be done.

Most Operational CEOs don't have what it takes to survive

A company's success is always about leadership, but the old way is not enough anymore.

It's not enough to just be an Operational Leader. It's not enough to only cut costs, grow market share and manage risk.

The skills from the past, to run companies successfully, are not necessarily the skills for the future. For example, most of our banks are filled with operational and risk management experts in CEO roles. In the short term, their approach may secure profits and conservative growth, and for now it keeps shareholders happy.

However, Operational CEOs tend to be short-sighted. They want to meet their KPIs and produce a good result for shareholders during their term as CEO. They don't want to waste money and energy preparing for an unknown future, by which time they will have moved on anyway.

While Australia's banks are making noise about involvement in FinTech and the future, **there is no fundamental reinvention taking place.** If they don't reinvent they will become dinosaurs and die. We can't let all our big organisations die, because that will slow our economy and threaten many millions of jobs.

Part of that reinvention is to rebuild and focus on customer needs. An Operational CEO can't lead a change of that magnitude, and they can't prepare for the unknown unknown.

It's all about the Chair

With the wrong type of Chairperson in the driver's seat, all attempts at transformation will fail.

If you don't have the right Chair, then having the right CEO will make no difference.

You need both. One or the other is not enough. If you have one or the other, you need strong advisors.

If the Chair is a Transformational Leader, the Board will allocate the budget and teams to research, monitor customer trends, understand technology that's still on the drawing board, and prepare scenarios for reinvention of the organisation. The chair will promote a culture of deep innovation and ideas throughout the company.

When we look across Australia, our research shows that there are few Chairs who are at this level; by and large, Chairs are of the risk averse 'old world'.

If the Chair isn't a Transformational Leader, they should recognise that they don't have the skills. This isn't to suggest that the Chair should step down or be replaced by another leader; not at all.

When the Chair acknowledges the gaps in their own skills, they can engage transformational experienced people on to the board, or as advisors, to educate them and their teams.

And it's a bit about the CEO

We've done a lot of qualitative research about what makes a successful turnaround or transformation, and the answer is you've got to have the right Chair and the right CEO.

Or more accurately, the right combination of Chair and CEO.

The Chair will lead the Board to the appointment of a Transformational CEO who can drive change and future preparedness throughout the organisation, while also keeping on top of what's important today.

When you've got the right people with their hands on the wheel, the organisational reinvention will take off.



Australia lags the rest of the world

AusTTA research into Chairs and C-suite executives in Asia, US and Europe, shows that **they realise they're under pressure**. They feel a sense of responsibility to reinvent their companies and stay ahead of the pack. **They're doing something about it every day.**

In Asia, US and Europe there's a sense of urgency about implementing profound change. We don't see that same sense of urgency in Australia.

Where there's a sense of urgency, Transformational Leaders will find a way through. But if a company doesn't have urgency, it's not going to step out and overtake its competitors.

Australian companies, especially the big ones, know that they have to do something about emerging technologies. There are many incubator and accelerator programs, but it's not enough to help them reinvent the company at the pace they need.

It's not just in the private sector, but it's also the government that needs help to accelerate and adapt.

Super funds are not helping Australian companies to transform

AusTTA research has shown that Superannuation funds are one of the reasons why Australian companies are struggling to transform.

Super funds demand annuity flows. As a result, big companies are not sufficiently investing in new business models. Australian companies are keeping shareholders and super funds happy by providing a trickle of steady growth. **Meanwhile, super funds are taking high growth parcels and placing them offshore.**

Australian super funds are not requiring companies to have transformational strategies that would drive organisational reinvention.

At one stage every big global company had a strategy or their investors beat them up. A decade ago, every major company had to produce a 'China Strategy' or investors would mark them down.

We don't see that expectation in Australia and it's going to cost us dearly.

Superannuation funds bear a responsibility for transformation. Australian companies need pressure, demanding that it's not good enough just to keep going the way they are.

Super funds should be demanding that Australian companies publish a transformational strategy or they will be marked down.



Best practice Boards embrace risk

Most Chairs are highly risk averse but in the current climate have to “**live with risk**” not avoid it!

The Chair needs to have fresh ideas and technology innovation flowing into the board, but still manage a good business and be wise.

Great risk requires great bravery, knowledge, skills and action – the latter are there, readily available.

Research shows you have to admit it.

You won't regret admitting you're not a transformational expert.

You will regret failing to prepare for the future and driving your company into the ground!

You can't just put it off. You're responsible for reinventing your company on the run and that's the challenge.

“To make the future demands courage,” Peter Drucker

About AusTTA

Change, disruption and transformation are challenging. AusTTA, a not for profit organisation, is dedicated to improving the professionalism of Transformational Leadership and raising the level of debate over transformational issues.

If you are leading or consulting to an organisation or industry that is more challenged than ever before, AusTTA can help you access and develop the tools and capabilities you need to future-proof your organisation. Our members are acknowledged world leaders, experts who want to give back to others.

Join our free [LinkedIn group](#) to keep up-to-date, learn, share ideas, information and network with like-minded people.

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For those transforming legal eagles

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