



Australian Transformation and
Turnaround Association

How corporate Australia is transforming in response to digital disruption and increasing competition



2018

WELCOME

The pace of digital disruption and changing business models is expected to increase even more this year – along with the need to transform in response. Are you ahead or behind the wave?

To assist leaders better meet today's, and future, challenges the Australian Transformation and Turnaround Association (AusTTA) undertook research to provide trend analysis and insights.

The research was conducted through a survey of over 900 business, transformation and change leaders and consultants in industries from banking and finance, manufacturing, technology, consulting, government, academia and health.

The research identified several notable trends:

- The majority of organisations expect this year to be significantly more competitive than last year.
 - Not one expects the future to be less competitive.
- The greatest challenges are:
 - Increasing competition from digitally enhanced groups and companies operating under new business models,
 - Existing senior managers resisting the need for change, and
 - The speed required to compete.
- Almost half (47%) of respondents added that their board is NOT transformative.
 - However, those boards that are transforming are succeeding.
- The majority of respondents' report that their organisation does not have a strategy developed to compete in this changing corporate landscape.

AusTTA was formed to help organisations, boards and executives overcome these challenges in order to maximise their ability to recognise, take affirmative action to adapt at speed and with strength to the demands for greater innovation and transformation to address the disruption.

AusTTA is Australia's premier body for transformation leaders. We bring together a depth of expertise, experience, tools and techniques to respond, plan and take action in order to obtain tangible results. Our members are practical, pragmatic, compassionate and strong, capable of driving change through complex organisations in this period of significant disruption.

We hope you find this report useful.

Adam Salzer OAM
Chairman and co-founder

Guy McKanna
Co-founder, board member and lead researcher

EXECUTIVE OVERVIEW



Change and competition are increasing even more

The majority of respondents expect this year to be significantly more competitive than last year. Not one expects the future to be less competitive.

While boards and c-suite leaders are all aware of the challenges emerging from new technology and new competitors, the greatest concern is considered to be the resistance of senior management to change, along with their lack of expertise in how to meet today's – and tomorrow's – challenges.



Lack of expertise

Two thirds of the respondent organisations do not have strategic scenarios developed to compete in this changing landscape. Just one in five have such strategies, providing a competitive advantage to these first movers.

Almost half add that their board is not providing sufficient leadership for the transforming of their organisation.

More heartening is that one third report that their board is beginning to lead transformation – and succeeding. When transformations are led by the board, they tend to be more successful and their management and workforce 'get it' and they become much more competitive – and successful.



What to do?

Respondents also noted that the best practices to cope with today's challenges are considered to be re-working their organisation's strategy and business models to make them more relevant. This includes redefining the value proposition, embracing change, and accelerating innovation and transformation.



People are key – and need greater focus

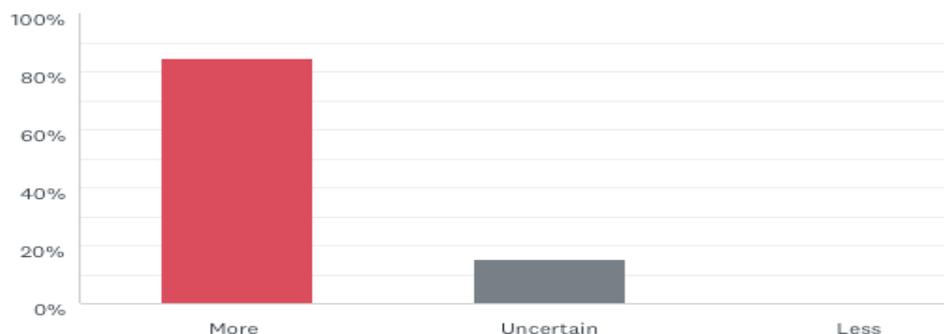
Respondents report that the best ideas for transformation come from their own people – not necessarily from consultants. The former have the first-hand experience of what works, what does not and what customers want.

Leaders have to bring their people on the journey with them. Management and staff are open to change if provided with the tools, leadership vision and empowerment to make a difference. It was felt that continued cost-cutting in favour of technology is the antithesis of this.

THE FINDINGS

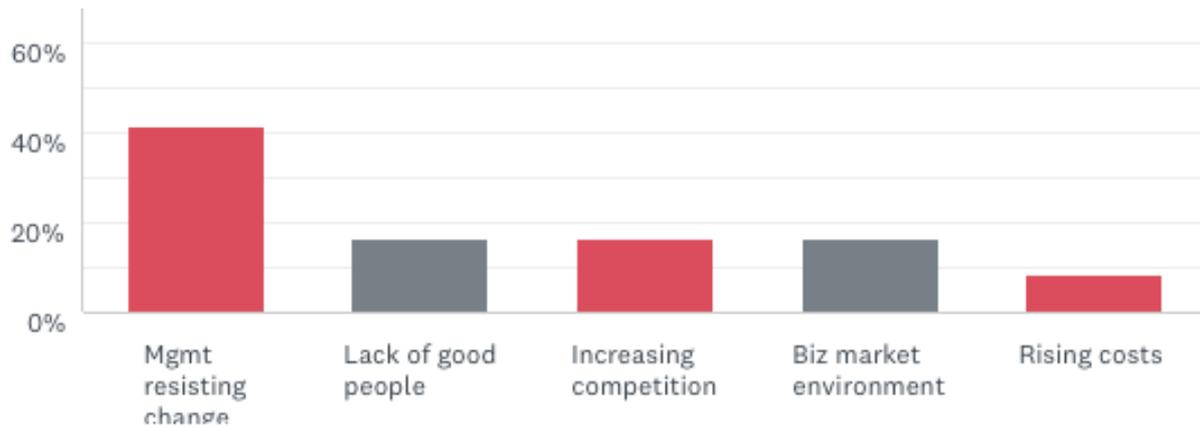
- The majority of respondents expect this year to be more competitive than last year (85%).
 - Not one expects it to be less competitive.
- The greatest challenges this year are:
 - Management resisting change (42%) – also the biggest concern last year,
 - Increasing competition (17%),
 - Lack of expertise (16%),
 - Business market environment (15%), and
 - Rising costs (8%).
 - These were very similar to the major concerns last year – showing that these remain largely unresolved challenges.
- Interestingly, technology was not considered a major challenge this year. Last year, it was one of the top concerns.
- Obtaining information and learning how to transform is considered a major challenge.
- Despite this, the majority of respondents report that their organisation does not have a strategy for facing the increasing competition (62%). This was up slightly on last year.
 - Under a quarter have such a strategy (23%).
- Half of respondents added that their board is NOT transforming their organisation (47%).
- However, one third say their board is trying to transform their organisation (38%), with many reporting success.
- The best actions that a board can do to keep up with today's change are considered to be:
 - Re-work the organisation's strategy to make it more relevant in today's changing world,
 - Improve the organisation's business model,
 - Improve the organisation's value proposition, and
 - Embrace innovation - both technological and other.
- Over one third of respondents also think senior management is resisting the need to transform (38%). Last year, a similar percentage reported this as one of the greatest barriers to success, demonstrating little improvement in this area.
- In trying to meet today's challenges, management respondents said they use assistance from:
 - Non-traditional consulting groups (23%),
 - Individual consultants and business advisers (23%), and
 - Big four accounting firms (15%).
- Interestingly, a quarter of respondents add that the Federal Government's focus on innovation is getting in the way (23%) of their business.

Do you expect 2018 to be more or less competitive than last year?



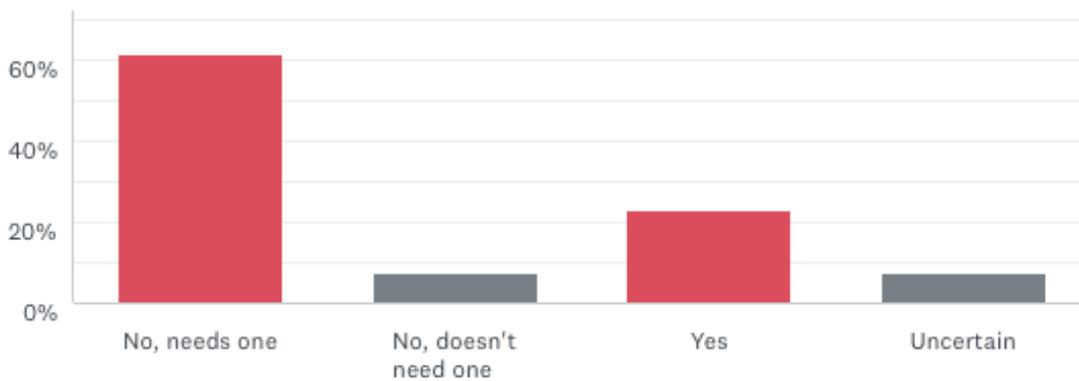
Source: AusTTA 2018

What do you expect to be the greatest challenge for your organisation this year?



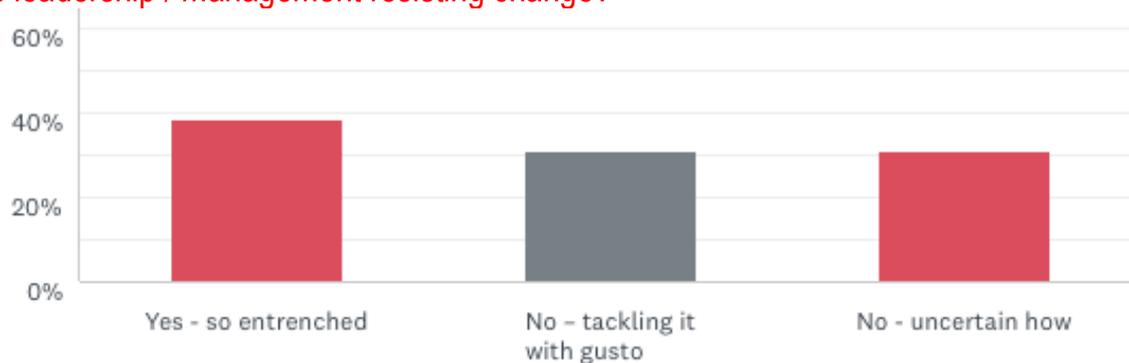
Source: AusTTA 2018

Does your organisation have a strategy for facing increasing competition?



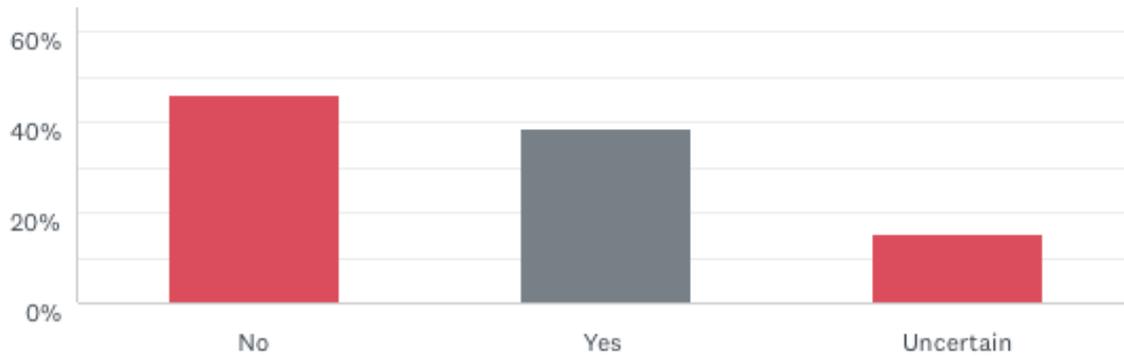
Source: AusTTA 2018

Is leadership / management resisting change?



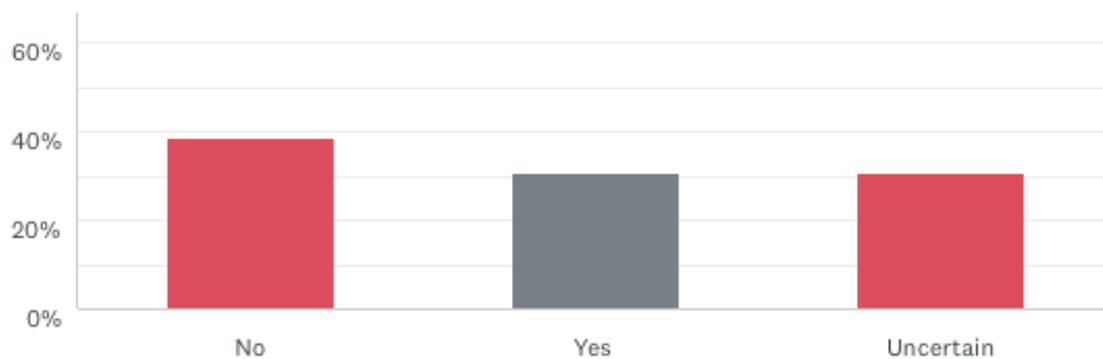
Source: AusTTA 2018

Is your board transforming your organisation?



Source: AusTTA 2018

Does management display diversity of thinking (not just gender diversity)?



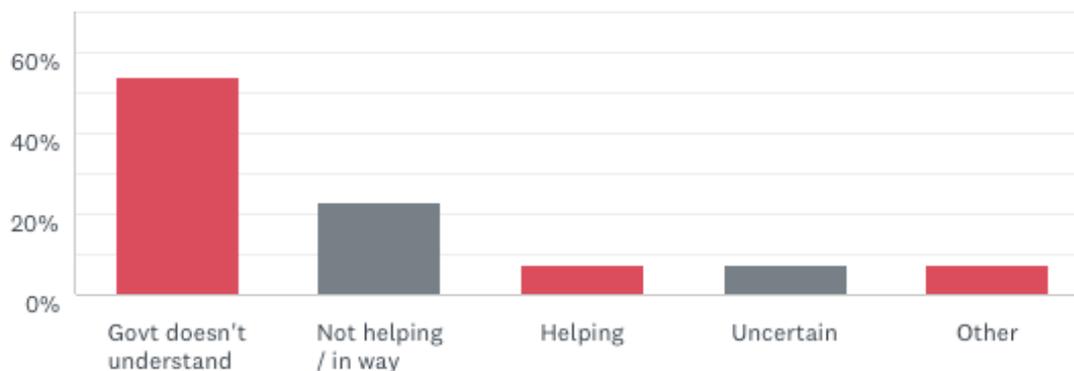
Source: AusTTA 2018

Where do/would you go for assistance with meeting the challenges of change and disruption?



Source: AusTTA 2018

How is the Federal Government's focus on innovation assisting you?



Source: AusTTA 2018

Disempowered gap widens

A stark new challenge is emerging for senior management – how to deal with large segments of their frontline and middle management - as well as disempowerment of some stakeholders and customers - who will be displaced by emerging and existing competitors.

It is ironic in that while technology has empowered most customers, there is a David and Goliath story emerging of disempowered people being hit by the unintended consequences of the rise of powerful technology in organisations. It is an emerging story of our time, and a glimpse into our future – where we will increasingly be living with artificial intelligence (AI and block chain) in every facet of our lives.

Those affected will naturally 'fight back' as it increases, especially as it is used to replace people, workers. As such, the focus will be fairness.

Most managers haven't even recognised this coming battle of human versus machine that is about to be before them. As such, management needs to focus more on the unintended impact of their actions on individuals.

"This will ultimately lead to increasing confrontation between the very powerful and the disempowered.

"We can't stop it. We can, however, have the ethical debates now on how to build processes of appeal and a backbone of ethical fairness in anticipation of these battles to be fought."

Workers over 40 years of age will find this most difficult, as more of their jobs will be lost than will be created; whereas younger workers will be slightly better off.

Transformation best practice research shows that full and total communication is required to minimise the distress caused to people.

Transformation can have a significant positive impact on people's lives, especially the dis-empowered.

As such, corporate boards, C-Suite and managers; along with government (both Federal & State) as well as union leaders need to all be aligned (as they are in Germany) for business and government to be able to reinvent themselves to ensure a future for our population and country.

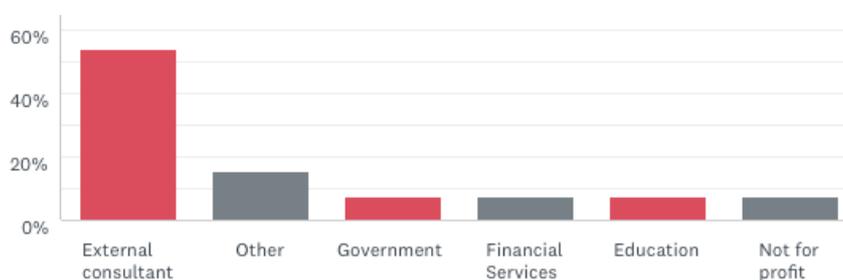
While we help maximise the benefits of digital disruption, we must, with equal strength and fortitude, minimise the distress that it causes to many individuals who often do not have the strength or confidence to adapt.

CONCLUSION

Rising to meet the challenges of the future cannot be left to someone else, to consultants, to government. We as leaders, as individuals, need to equip ourselves with the knowledge and surround ourselves with most experienced people around us to not just survive, but ultimately thrive in today's changing environment and its myriad challenges.

About this report

This research was undertaken by the Australian Transformation and Turnaround Association (AusTTA) in December 2017. It was distributed to over 600 people and the preceding is their response. This year, a fifth were C-suite leaders (20%) and from a range of sectors. All responses were provided anonymously.



For leaders of change

AusTTA calls on leaders of all organisations to better understand what is required to meet continuing change and how to undertake effective transformation to embrace it.

Our not-for-profit group brings together seasoned professionals who have turned-around existing companies as well as others who have actively supported the expansion of new, disruptive ones, to help others understand and learn – thus our motto of “assisting leaders of change”. AusTTA is a resource for all leaders, not just for its members.

To this end, AusTTA has also developed - in conjunction with the Australian National University - a Fellow of Transformation course to raise the level of understanding, knowledge and application of transformation.

About the Australian Transformation and Turnaround Association

The association brings together innovative problem solvers who are working on the frontline of innovation, change, strategy, planning, transformation and turnaround management - the people who make day-to-day decisions that shape the future of organisations and help new ones grow.

It aims to:

- improve understanding of experienced transformation and turnaround skills
- promote understanding of transformation techniques at an individual, organisation and community level
- assist organisations to restructure and transform successfully
- minimise the distress caused by digital disruption
- return under-performing organisations to sustainable viability and accelerated growth
- maximise the opportunities resulting from organisational transformation
- support dynamic growth in emerging organisations based on new technology and/or new business models
- reduce risk and accelerate growth for emerging organisations.

Join the group to learn, share ideas, information and network with like-minded people. Or contact us if you would further information, or help transforming. We are here to support leaders of change.

Visit www.austta.org.au

Or contact
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For those transforming legal eagles

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