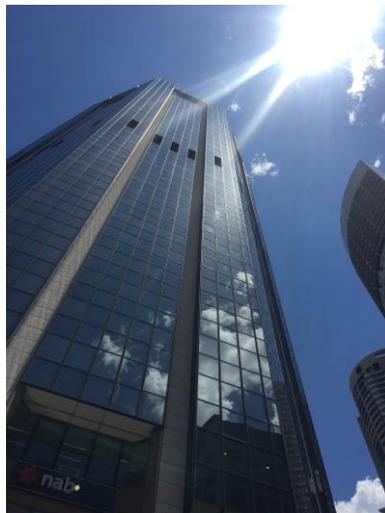




**Australian Transformation and  
Turnaround Association**

# **Essential Best Practices for Transformative Boards & CEOs**



## **Whitepaper insights for business and government leaders on how to drive successful Organisational Transformation**

This paper is the result of 9 months of face-to-face research into

- Chairs and Boards of listed companies and pre-IPO Private Equity backed organisations
- Governance structures within Federal and State departments and instrumentalities

This Whitepaper has been produced to examine the essential capabilities required at Board and senior management in modern day organisations looking to ensure their organisations remain relevant over the next decade.

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## Executive Summary

The Australian Transformation and Turnaround Association (AusTTA) established in 2017 is part of a global movement to professionalise Transformation Leadership in Australia. Its purpose is to aid Leadership (Chairs, Boards and Chief Executive or equivalent) of Government and Private sector organisations to understand the value of Transformational capabilities and behaviours, from diagnosis to strategy development, complex implementation to full reinvention. These are normally multi-year processes involving adoption of disruptive technologies and significantly different business models.

AusTTA has over 2,000 members who interact in regular discussion and debate via a private network. These members come from Boards, C-suites, internal transformation units and from external consultancies. AusTTA is run by 14 Fellows and 30 Practising Members who work with Australian organisations via AusTTA's specialty guilds who focus on key markets, and industry sectors. This Whitepaper was produced by the Transformative Boards Guild (see also AusTTA's Whitepaper on Diversity in Transformation May 2018).

### Approach and Methodology

This paper is the result of 9 months qualitative research into what are the Best Practices at Board level that are required to lead a complex organisation fundamental Transformation. Data gathering included:

- 2 surveys via AusTTa Members
- 5 round-table thinktanks with Australian Leadership (CEOs, Boards and Chairs)
- A meta-analysis review of articles and journals including academic studies
- 50 peer interviews with Australian Leadership
- A review of AusTTa documentation including over 200 case studies by Practicing Members

### Results and Insights

- Successful Transformation can only exist where there is proven Transformational Expertise in the Chair, Board and CEO – if any one of these is Operational rather than Transformational – the organizational Transformation will fail.
- Chairs and Boards recognise the need for qualified Transformational Expertise at C-suite level, but undervalue its importance at Board level.
- Australian leadership is struggling to understand how to identify what a Transformational Leader is and where, when and how to bring these capabilities into their organisation.
- Boards' heavy focus on short term deliverables for shareholder returns is short changing future generations. The solution is to implement a public, transparent Transformational Strategy and to develop more relevant risk profiles for the organisations.
- Australian Leadership lags behind global peers in terms of understanding and implementing Transformational Leadership and Strategies. There is a noticeable lack of urgency when Chairs and Boards compare their organisations to peers in USA, Europe and Asia.
- Asset Owners and their investment managers through demanding public transformational strategies from Australian listed companies, could identify opportunities currently unseen.

## Chairs, Boards and CEOs - Transformation is a leadership issue

*'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 are required to ensure their organisations do not fail, however, they are struggling to adapt to the pace of change in technologies, science and evolving business models. As the Royal Banking Commission is demonstrating, and as is reinforced by the corporate and government leaders who participated in this research:

- Technology and science developments are changing how we live, work, consume and conduct business
- Consumers via social media demanding change to deliver personalized services at unprecedented speeds
- Business models with very different collaboration structures are emerging to disrupt existing organisations

These advances are so quick 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 find themselves challenged in terms of understanding, comprehending, preparing and resourcing themselves in readiness for this increased uncertainty.

The overwhelming consensus emerging from this research is that there needs to be a major rethink of the role of the Chair in leading their organisations into this Transformative journey.

Chairs need to become more active. The Chair needs to be a Transformational Leader or appoint and empower a Transformational Leader to advise the organisation they lead through the challenging (and painful) process of organisational Transformation.

A Transformational Leader will prepare the organisation for significant reinvention and for situations that are difficult to predict. An experienced Transformational Leader provides organisations with the restructuring knowledge and tools to be able to reinvent themselves with urgency, creating open space for improved critical thinking and analysis, and leading the organisation via considered, intelligent, intellectual design backed by thorough research and supported by qualified practising peer networks.

It is up to the Chair to recognise what skills make a Transformational Leader, to understand what a Transformation Strategy could bring to their organisation and to identify when their own leadership team does not have the necessary skills to facilitate this. AusTTA's research has identified that organisations focus on hiring excellent Operational capabilities into the positions of Chair or CEO, and do not prioritise skills in transformation. It is the Chair's responsibility to lead change (or by engaging an advisor who is skilled in transformation). Operational excellence is insufficient for the challenges ahead.

A Chair's decision to act will determine the organisation's mid to long term success or failure. It is difficult to transform large complex organisations, and especially difficult for organisations that are performing well.

Our research has found that Chairs and Boards with the hands-on engagement in this transformational journey are most capable of making the courageous decisions required and best able to manage the multiple internal and external stakeholders. Those organisations starting to engage with the reinvention process have a Transformational Chair leading the Board. Alternatively, if the Chair is not Transformationally experienced themselves, then they have recognised this and appointed an advisor to the Board and a CEO with a Transformational mindset and track record.

## Defining the Transformational Leadership capabilities required

To survive stress caused by change, leadership should be turning to qualified Transformational Leaders, who have the experience, knowledge and skills to create strategies, plan for the 'unknown' and make day-to-day decisions in a dynamic environment of multi-year transformative journeys.

These are people who can oversee the reinvention of the organisation's business models to create sustainable success and safe pathways during these turbulent periods.

Experienced Transformational Leaders are people who:

- Plan and carry an organisation into an unknown future and through unseen disruption.
- Prioritise and expand customer-value as the path to optimising shareholder-value.
- Operate on a strategic level to manage people and digital resources through change.
- Use evidence-based management and tools to diagnose and design transformation.
- Are innovative, courageous and efficient problem solvers.
- Maintain stakeholder control and corporate focus while transforming core products/services - or in the case of disrupting organisations, manage extremely rapid expansion.
- Understand the importance of the organisations people, customers, investors and public stakeholders, and can minimise distress for all during Transformation through clear communication and messaging.

Very few people have the background and skills to be a true Transformational Leader. AusTTA's research indicates that from a broad perspective, there are approximately 300 to 400 people in Australia who have a composite of the above skills, with proven experience and peer backing to lead a major turnaround and transformation for a large complex company or government department.

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

### Operational Leaders plan for business changes they can predict

Our research indicates that Australian Chairs have focussed on building their leadership via the appointment of Operational (not Transformational) Leaders. The Operational Leaders focus on smaller improvements; nurturing, guiding and driving organisation's improvements incrementally. They battle every day for small year on year growth, and in the majority of our qualitative analysis they achieve their goals. Good Operational Leaders are important to the success of every organisation; and research indicates that where organisations only make operational changes, they will not be able to Transform themselves and will be unable to continue to lead and prosper.

### Transformational Leaders plans for changes that cannot be predicted

Transformational Leaders possess 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.

Transformational Leaders have the mentality, capabilities, experience and skills required to ensure organisational success and accelerate past the existing players. AusTTA has listed these capabilities which will be the subject of its next Whitepaper.

## Unknown technology, unknown business models but known skills

As Chairs and Boards look to the future, there are many elements that will significantly impact the way they operate including:

- Timeframe: How far ahead should they be looking and planning?
- Speed of adoption of emerging technologies: Which innovation, how much, how soon, how digestible?
- Urgency of reinventing the existing business models: What and when to start and make the jump?
- Competition in an increasingly complex environment: How to be more agile and consumer focused?

Do Australian leaders fully understand the impacts these changes will have on their organisation? AusTTA's research indicates a lack of understanding of the realities of Transformation especially when compared to USA, Europe and Asia.

Our research indicates most Australian leaders (Chairs and Boards) define what "Transformation" is as follows: "It is a case of managing the existing business, whilst simultaneously taking leaps forward - whether technology driven, hiving off segments of the business, or restructuring the business model"

AusTTA's research project indicated that this is not enough. Traditional leaders can turn a company around, but it doesn't necessarily put the company into rapid growth that stakeholders desire (investors, customers, suppliers and staff).

Successful Transformation Leaders are those who can embrace the "Unknown/Unknown". Chairs need to be or engage advisors who can manage today's business while charting a path into the future that includes **Unknown technologies and Unknown business models**. This cannot be achieved by preserving and adapting existing business models.

### Many Operational CEOs don't have what it takes

All interviewed in AusTTA's research agreed that company's success is always about leadership, and that the old forms of leadership will not deliver effective Transformation at the scale or pace required. **It is no longer satisfactory for a CEO to be an Operational Leader. It is ineffective and short sighted to focus on cutting costs, growing market share and avoiding risk.**

Most Australian large Listed Companies are filled with operational and risk management experts in CEO roles. In the short term, their approach may secure profits and conserve growth, which keeps shareholders happy. However, in meeting their KPIs and producing a good result for shareholders during their term as CEO, they are failing to create a long term sustainable future. They are struggling with preparing for an unknown future, often their incentives and mentality are short term focused, This is no longer acceptable for the leadership of any large listed organisation, or government instrumentality.

Whilst Australian organisations are making noise about megatrends and technology for the future, **there is no fundamental reinvention taking place**. Part of that reinvention is to rebuild and focus on customer needs. Operational CEO's cannot lead a change of that magnitude, and they cannot prepare for the unknown unknowns ahead.

*'To make the future demands courage'  
Peter Drucker*

## It is all about the Chair

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

*Adam Salzer, Chair AusTTA*

AusTTA found that is essential for stakeholders of Australian organisations to recognise the role of the Chair in understanding Transformation and to develop a Transformational Strategy which can be shared publicly.

**If the Chair is a Transformational Leader**, if the Board is led in different ways of managing risk through an organisational reinvention, then it follows that there will be:

- Adequate budget allocations
- Teams to research, monitor and respond to customer trends
- Resources to understand technological and scientific innovations that are still on the drawing board
- Capabilities to prepare scenarios for the reinvention of the organisations business models
- Promotion of a culture of deep innovation and flexibility of collaboration and co-creation

AusTTA's research has identified only a few Chairs who are at this level; most Australian Chairs view their roles as directing the organisation to avoid or minimise risk, rather than living with risk and driving the company through the challenges associated with Transformation.

**If the Chair isn't a Transformational Leader**, it is important that they possess the acumen to recognise that they don't have the skills within the leadership of their organisation. **The Chair should acknowledge the gaps in their own skills and engage transformational experienced people on to the board, or as advisors, to educate and lead.**

**AusTTA found that the trend was for Boards to engage large strategic consultancies to advise them on creating the roadmap into the future, however, our research showed that this was insufficient to move the organisation into a state of transformation. The advice received tended to be too big-picture and did not address the realities associated with taking an organisation through the rigours of profound change in business models.**

...and it is about the Board's selection of the CEO

AusTTA has researched what it means to make a successful turnaround or transformation, and the answer is that there has to be 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, organisational reinvention takes off on its Transformational journey. Performance, will improve, funds released for investment and all its stakeholders fully engaged'*

*Adam Salzer, Chair AusTTA*

Best practice Boards embrace risk

Research indicated that most Australian Boards are highly risk averse but in the current climate this mentality needs to change, Boards have to learn to **"live with risk", manage risk and accept risk** rather than avoid it.

The modern Chair needs to manage this journey with care. Transformation requires a different risk profile which needs to be understood and endorsed by the Board and executive. Greater risk requires courage, careful safeguards, excellent communication, willingness to accept failure, deep understanding of the journey and its various stages. Leaders won't regret admitting they are not transformational experts, but **will regret failing to prepare for the future.**

## Australia lags the rest of the world

Our research comparing Australian leaders to those in USA, Europe and Asia, indicates that Australian Leadership **realise they are under pressure**. They feel a sense of responsibility to reinvent their companies and stay ahead of the pack. **They tell us they are doing something about it every day.**

**In Asia, US and Europe there's an additional sense of urgency about implementing profound change.**

**Despite telling us they are actively responding to the pressure they are facing, we don't see that same sense of urgency in Australia.**

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

Australian companies know that they have to do something about emerging technologies. There are many incubator and accelerator programs, however the alignment between the innovators, start-ups and incubators to the large-scale organisation is clumsy with little to no adoption of learnings between the two in a timely manner that creates value. Furthermore, in an effort to control innovation, large organisations create their own start up communities, rather than reach out to the ones at their own doorstep. It is not just in the private sector, but it is also the government that needs help to accelerate and adapt.

*'You cannot escape the responsibility of tomorrow, by evading it today.'*  
*Abraham Lincoln*

### Asset Owners are not helping Australian companies to transform

The demand for annuity flows and dividends is outstripping the demand for investment in innovation and growth. Some responders to our research agree that investors should be looking for organisational transformational strategies as the basis for investment decisions. Their current behaviours are not requiring large listed companies to implement transformational strategies that will drive organisational reinvention to achieve long term growth and sustainability.

As a result, Australian companies are not being directed into investment in new business models, rather the focus remains on maintaining dividends rather than seeking future paths to achieve dynamic growth.

In the prior decade, our research notes that most global companies had a growth and sustainability strategy that was transparent to the market. For example, in the past decade, every major company had to produce a 'China Strategy' or investors would mark them down. **This is what is required in Australia.**

Asset owners and large-scale investors carry a responsibility for transformation. Australian listed companies should present their transformational strategy to investors to see the potential for growth in the Australian market.

The research found comparable demands should be focused on government departments and instrumentalities. They should be providing their pathways to reinvent themselves to meet the changing expectations of consumers and to harness the potential of emerging technologies and business models. They are not setting out their visions for the future and the pathway they will take to transform and to be held accountable to their stakeholders for their Transformational performance.

It is not good enough for these companies and government departments to just to keep going the way they are.

Boards may not accept they are not transformational experts, but they will **regret not preparing for the future.**



## 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.

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

Visit

[www.austta.org](http://www.austta.org)

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