



WHAT'S WORRYING OUR CEOs?

CLIMATE CHANGE HAS HIT THE NUMBER ONE SPOT AS THE ISSUE OF GREATEST CONCERN TO AUSTRALIAN BUSINESS LEADERS, ACCORDING TO THE CEO INSTITUTE.

For the past seven years the institute has been surveying CEOs and compiling a list of the ten hottest issues facing them and their businesses. In June 2007, under the category of 'climate change,' they were most concerned about:

- The push by employees for company leaders to tackle climate change
- What's involved in the establishment of a carbon minimisation or credits policy
- What action is demanded (in particular) by 'Generation Y' employees
- Work practices that can reduce carbon emissions such as monitoring of lights and air-conditioning.

The CEO Institute is a widely respected networking body that holds 56 meeting forums round the country each month, allowing business leaders to meet regularly with peers and exchange ideas.

Taking the pulse of sentiment in this way provides a fascinating insight into how leaders' attention continually shifts. For example climate change and cultural issues around managing people and aligning values in an organisation have only recently become a major focus in discussions, says institute CEO Andrew Dalziel.

"CEOs are acknowledging that it requires more than premium products or services to get the best results," Dalziel explains.

Climate change wasn't on the radar in previous years. Here's a snapshot of the most important concerns for CEOs since 2000:

- 2006 – Staff performance and management
- 2005 – Employee "Choice of Super"
- 2004 – Staff motivation, recognition and rewards
- 2003 – Company culture and change management
- 2002 – Tax planning and asset protection
- 2001 – Corporate collapses
- 2000 – Implementation of GST

The CEO Institute's June 2007 top issues in order of importance are:

- 1. CLIMATE CHANGE**
 - Staff push to implement policies to counteract climate change
 - Establishing a carbon minimisation or credits policy
 - Action particularly demanded by Gen Y
 - Work practices to reduce carbon emissions.
- 2. CORPORATE VALUES, POLICY AND CULTURE**
 - How values are identified
 - How values drive organisational culture and behaviour
 - Importance of corporate values to business performance
 - Significant benefits in having documented mission statements, corporate values, job descriptions etc
 - Leaders' moral and ethical responsibilities.
- 3. END OF FINANCIAL YEAR ACTIVITIES**
 - Salary reviews: differentiating between roles, and percentage salary increases
 - Superannuation changes: taking advantage of new opportunities
 - Review of balance sheet: inventory, write-offs etc
 - Budgets: profit growth or consolidation.
- 4. STAFF PERFORMANCE AND DEVELOPMENT**
 - Availability of government grants for staff training
 - Importance of domestic harmony in contributing to employee performance
 - Adjusting base remuneration to meet expanding responsibilities
 - Bonus schemes to 'lock-in' employees; designing bonuses to reward over-achievement of financial goals
 - Converting attitudes from 'operating' to 'ownership'
 - Aligning objectives from top-down
 - When to let non-performers go
 - Coaching: the need to select someone who's strong, and can 'stand up to you' (Different from a mentor)
 - CEOs: how long should they stay?
- 5. EXIT STRATEGIES**
 - Sale of business: preparation, shares and assets, tax implications
 - What to do when approached by potential buyers
 - Role of independent advisors (particularly accountants) in sale of business

- Exploring ideas to orchestrate management buy-outs
- Worldwide tender to announce business for sale.

6. ATTRACTING AND RETAINING STAFF

- Critical shortage continues and recruitment remains difficult
- Recruiting staff from overseas
- Running 'staff retention programs' can provide significant results
- Salary pressures
- Exit interviews to identify reasons for departure
- Internal recommendations produce best results in recruiting.

7. BUSINESS EXPANSION

- Acquisition strategy: how to keep a company 'acquisition-ready'
- Franchising versus owning as a method of expansion
- Compatibility ('fit') of business during acquisition
- Problems raising venture capital for new products/businesses.

8. ORGANISATIONAL STRUCTURE

- Multiple departments with divergent revenue streams
- Leveraging customer base in core business
- Eliminating cross boundary issues
- Using team goals to focus on external opportunities.

9. SALES AND MARKETING

- Handling product recalls
- Internet marketing: how it's different
- How winning contracts with large reputable organisations can give credibility in the marketplace
- Corporate branding and the use of PR consultants.

10. INTERNATIONAL MARKETS

- Impact of trade with US and China
- Attracting funding from Chinese entrepreneurs.

THE TOP 10 ISSUES ARE PUBLISHED ON THE CEO ONLINE WEBSITE WWW.CEOONLINE.COM.AU

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TOP ISSUES FACING CORPORATE CLIENTS – ANZ OPINION

- The recent volatility in the equity/debt and FX markets will impact in some way on the majority of our clients. One client has already felt the direct impact with a global bank refusing its European business access to uncommitted lines. The potential for increased cost of debt in Australia, whilst real, should be adequately handled as corporates are satisfactorily geared. There may be some leveraged transactions that come under pressure but these will be in the minority.
- Corporates are also tackling the Sustainability/Carbon neutrality issue. This issue has attracted a lot of attention in the business community as CEOs decide whether their business is affected and, if so, how they deal with it.
JASON MARES, State Director Corporate Banking, NSW
- After 5 years of widespread drought Australia's Agribusiness community faces many old and some new issues. Old issues are: ongoing drought, the high Australian dollar, and attracting and retaining people, and are joined by new issues: climate change, capitalising on the growing demand from Asia, and attracting new financial capital to the sector. **IAN PERRY, Head of Agribusiness, Corporate Banking**

- The longer term macro issues for CEOs in the Aged Care and Retirement Living market are where they position their business 5 years out. How they invest in a sector where more scale and continuing investment in accommodation and care quality, staff and systems are seen as mandatory. How they can compete in the future in a sector where in the last few years serious institutional investors have appeared (Macquarie, AMP, BUPA, Babcocks). This has seen asset values jump well ahead of cash flow growth.
- The micro day to day issues are very different; all about managing very constrained cash flow and staff resources, with increasing government regulation in the case of Aged Care. Day to day, it is all about absolute passion and commitment to doing the small things right so new residents and their families continue to be attracted.
RICHARD GATES, Head of Aged Care & Retirement Living, Corporate Banking

- The key issue facing CEOs in my geography is managing growth during a severe skilled labour shortage. The commodities boom (particularly around the coal industry) in Queensland has seen material migrations of people from 'white collar' jobs to 'blue collar' jobs where hyper-inflation salaries are being paid to attract labour to remote areas. Additionally, tertiary educated employees like engineers, surveyors, and other mining related personnel are being imported from all over the world to try and keep up with demand. Labour hire and contracting firms are working particularly hard on 'corporate culture' programs and internal training activities to attract and retain staff.
DARRYL MOHR, State Director Corporate Banking, QLD

- Property is a diverse industry with issues facing developers and investors often driven by the geographies and sub-sectors in which they operate. However a consistent theme across all geographies and sectors is the increasing length of time taken to work through the statutory approval and planning process. This is increasing project risk, reducing profitability and limiting opportunities for successful development. For investors the challenge is the limited availability of suitable investment alternatives driven by continuing yield compression. **CHRIS REES, Head of Property, Corporate Banking**

Key challenges facing our clients can be grouped under 3 broad areas: people, asset valuations and acquisitions, and infrastructure spending.

- Customers continually talk about the challenges of attracting and retaining the right people in the right roles. The strength of the labour market, strong economic growth and relatively low immigration have led to very tight labour market conditions and our customers are having to innovate and become more flexible to attract and retain people.
- Growth through acquisitions has also become more challenging. Business valuations continue to increase as a result of a strong domestic economy, the increase of private equity and other non traditional sources of capital. This strong demand dynamic is pushing business values to record levels and in turn making the economics more problematic in many instances.
- Finally, capacity constraints are evident across the economy. Transport (ports, road and rail) energy and water are now attracting heightened attention, highlighting the need for significant and immediate increase in infrastructure investment. **MARK CRUMBY, State Director Corporate Banking, VIC SA WA**