

# LEADING

## FROM

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Far from being smooth sailing, business leaders will find that 2010 will present a mix of old and new challenges. *Iain Hopkins* investigates

**A**mbiguity. Uncertainty. Mistrust. These are just three of the descriptive terms being used to sum up the major leadership challenges facing business leaders in 2010. Although one could argue that these challenges are not unique to 2010 – after all there is no on/off button in terms of the commercial and economic environment – the last 18 months have clearly taken their toll. Are leaders up to facing a new year? If so, what should they expect?

Sue Forrester, chief executive of the CEO Institute, Queensland, cites author Stephen Covey, who likens business to a 'permanent white water world' where everyone paddles frantically with the belief that it will calm down soon and turn to plain sailing... but in fact it never does.

"I think that metaphor is absolutely right. 2009 was a tough year. CEOs were challenged by internal and external forces – many had never seen the likes of a GFC before – but coming out of it this year there will arise just as many demanding

challenging issues. Leadership is not a nine-to-five job or a job you need to work particularly hard at during difficult economic times; it needs to be worked on all the time," says Forrester.

### **New era, new challenges**

Despite Australia's relatively strong performance during the GFC, Rosemary Howard, executive director and co-joint professor, AGSM Executive Programs, says the world is still an uncertain place, so dealing with ambiguity and uncertainty will be top of the agenda for many executives. In addition, Australia will face particular challenges simply because it came through relatively unscathed.

"A survey last September indicated that for 60% of Australian employers there

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had been very limited change or impact from the GFC. What that suggests is first off we're the lucky country once again, but it also indicates we've had incremental changes to get through but we perhaps haven't faced up to some of the longer term issues," says Howard.

There are some worrying clouds on the horizon. For example, in terms of productivity, Australia has slipped from the top half of the OECD to the bottom half. Australia also rates badly on collaboration and innovation – in fact we're 27th out of 27 in the OECD. "If

we're going to create the new industries, such as sustainable energy, and also create the new ways of working that will enable us to be successful moving forward, we're going to have to get much more into that innovation space," says Howard. "That has some systemic leadership issues around it – in other words, perhaps we're still a bit old fashioned, a bit command and control, and not great at delegation."

Why are Australians so poor at innovation? Partly, Howard believes, because as Australia is a relatively small economy, it tends to inherit innovation from overseas. In addition, it can be tough to get new ideas funded with venture capital, and the many layers of government means great ideas can get lost in bureaucratic mazes. "We're going to have to cut through that, which is easier said than done. There needs to be a shift in mindset. Take, for example, the online world. That's both a strength and weakness for Australia. With broadband you can now export jobs very easily, so it's easier to lose jobs overseas; but on the other hand it should also be easier to access global markets."

Also likely to keep CEOs awake at night is CSR and environmental sustainability. Although the politicians failed to reach a consensus at Copenhagen, Forrester says many CEOs are keen to continue the dialogue with government. "Our members are acutely aware that they cannot afford to have a 'head in the sand' approach to environmental sustainability. As business leaders, CEOs are seeking certainty – and this will come when the market is able to set a price for carbon. CEOs need certainty in being able to manage their operations and to set strategies to move forward after the GFC."

There are also workforce sustainability issues to contend with. In terms of demographics, while Australia currently has a ratio of 1:5 in terms of retirees/employed workers, by 2050 this will slip down to 1:2.5.

"We must move our organisations towards sustainable performance in the long term. That doesn't just mean the bottom line but also employee engagement and participation," says Howard.

The word sustainability, overused as it may be, is extremely important. Without sustainable work practices, it's easy to slip into what the Americans call 'toxic conditions' at work. "There's a correlation between organisations with that clock watching, lack of trust mentality and high levels of depression and suicide. Organisations have very serious responsibilities for the wellbeing of their employees. People come to work not just to earn a buck but to make a difference. How do we create an environment for that to occur?" Howard says.

Howard adds that legislative changes around National Employment Standards and the right to request flexible work arrangements is a great way to encourage older workers to continue working – but it is not enough. "It's about working with employees and customers to redefine our end-to-end process to make it work for everyone. Customers are voting with their feet in some areas, such as airline bookings. We're quite happy to do it ourselves, so we're actually outsourcing work to the customer and that gives them more control as well. We need to understand those shifts and how to utilise new technology to make that work," she says.

This 'customer co-creation' implies that organisations don't create customer value, it's the customers themselves: they tell the



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– Rosemary Howard

## Manager vs leader

Successful organisations need both leaders and managers, but there are fundamental differences between those roles. While leaders influence, inspire, and drive people to a common goal, the role of a manager is to keep the day-to-day operations of an organisation running smoothly. Employee development must reflect these differences and provide development of both sets of skills. Taleo outlines the key differences:

| Managerial functions                       | Leadership skills                                      |
|--|--|
| Plan and budget                            | Create vision and excitement                           |
| Coordinate, control and execute activities | Set a direction, motivate and inspire people to follow |
| Organise and provide staff                 | Align people   |
| Work within existing structure             | Build new relationships and structure                  |

organisation what they want and what they value. Similarly, many employees in large organisations – particularly women – have voted with their feet.

“We need to lift participation rates for females, but that comes back to making the work-life balance better. Some sectors still have quite difficult working environments where people are counting their working time on different projects every 15 minutes. You can start to feel like a mouse in a cage after a while,” Howard says.

Overshadowing everything is the issue of honesty and trust. Although much improved from the ‘cut to the bone’ recession of the early 1990s, many organisations failed to handle redundancies and cutbacks effectively. Employees have long memories, and in this age of social media, bad news travelled far and wide. “At the end of the day, consumers and customers can smell when they are not being told the truth, and employees in particular can smell when something is going on in their organisation. Unfortunately, there isn’t a high level of trust in the Australian workplace,” Howard says.

## Rebuilding

Unfortunately, there is no ‘restore previous settings’ button for trust and engagement; once lost they are tough to regain. Alice Snell, vice president of research at Taleo, says that these issues shine the light once again on talent management practices. “When it comes to trust and engagement there is not one single activity or practice, but rather a multi-fold strategy that has the biggest impact,” she says.

One of the drivers for employee engagement is communicating future opportunities. Taleo encourages organisations to ensure that not only do they look internally to promote and move employees around, but also that employees themselves can self-serve and see those opportunities. “Talent management practices are not just a top-down set of processes, but it’s really about having the whole workforce involved in the kinds of things that will help them be more engaged and more productive as well,” says Snell.

## Skills of the leader

Part of this will come down to the skill of the leaders. As Forrester points out, situational leadership requires a broad spectrum of skills to flex with the changing times. Top level communication skills, high IQ and EQ, acute self-awareness, and the ability to empathise with others are just some of those required.

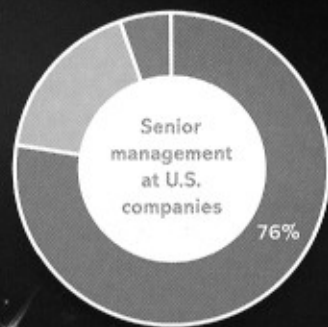
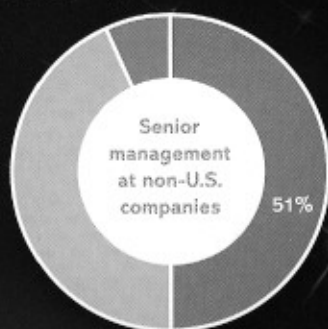
“As a leader you must have very high levels of self-awareness, IQ and EQ to know the environment you’re dealing with, and then adapt and provide suitable leadership for those situations. It’s a bit like change management – it depends on what situation you are facing, who your stakeholders are and what are the messages you need to be constantly delivering. It’s a big ask, and at the CEO Institute we say there’s no textbook for being a CEO or senior leader,” she says.

Forrester cites one example of where many leaders go wrong: An engineer becomes CEO of a major mining company, yet that person continues to demonstrate the usual traits of an engineer: highly statistical, mathematical, and outcome-oriented. Of course, leadership skills can be developed, but smart CEOs will recognise their own weaknesses and attempt to plug the gaps by surrounding themselves with talented peers. “Leadership is always a team effort, especially in large organisations. As a CEO, don’t try to be everything. If that’s not your natural style, do your best to fill the gaps but make sure you surround yourself with others who can support you and complement your style. Make sure there’s a skills and behavioural matrix prepared at the executive level as well as at the management level,” she says.

## Back to talent management

There is an old saying: when playing sport, don’t watch the scoreboard, watch the ball, and the scoreboard will take care of itself. In the game of business, many people during the GFC concentrated on the scoreboard and they now need to get back to watching the ball. That is, building the fundamental building blocks of any great business: its people. “We’ve seen that organisations that had significant layoffs

Since last year, do you have more or less trust in...



■ = MORE ■ = SAME ■ = LESS

Source: Harvard Business Review, June 2009

How prepared are you to fill leadership roles?



34.7% neither prepared nor unprepared  
 32.6% prepared  
 19.4% unprepared  
 9.7% extremely unprepared  
 3.5% extremely prepared

Source: Institute for Corporate Productivity, I4cp

had a knock-on effect of losing talent that they wanted to keep. That means we'll start to see leadership gaps," says Snell.

The identification of leadership gaps is both an assessment of the individuals and the readiness of the organisation. To help fully determine leadership gaps, companies should:

1. Determine current and future leadership requirements.
2. Compare those requirements to the current leadership team.

3. Identify current leaders who may be at risk.
4. Identify succession plans for those at risk or planning to leave.
5. Look at the leadership development pipeline.
6. Identify gaps in skills and time required to fill those gaps.

Taleo research in the UK indicates that employees have more respect for 'homegrown' leaders – ie, those who

have moved up through the ranks of an organisation. Despite the huge number of candidates on the external market, Snell urges leaders to first look inwards for leadership potential. "Be clear on who your top performers are in the organisation and ensure they have a pathway to stay in the company. This is where leadership development comes in, coupled with good succession planning processes," she says.

Internal succession planning has taken significant blows in the past 18 months. Not only have L&D budgets been slashed – making it tough for employees to feel prepared to step up to management roles – but the GFC resulted in significant restructuring, downsizing and rightsizing. Formalised succession plans may have gone out the window, and even the desired leadership competencies may have changed.

"Succession plans have been impacted dramatically and negatively on two fronts," says Forrester. "Firstly, many CEOs had their eyes on the day-to-day operations and failed to consider succession planning for critical management roles. Secondly, it's the Board's role to ensure there's effective succession planning for the CEO's role. In the past 18 months, there have been countless CEOs leaving jobs quickly and there has been no one in the organisation ready to step up immediately. From the Board's perspective that must be on every monthly agenda, even if it's a conversation asking: What's the quality of our succession pool? What development activities are being carried out this quarter? Are there any development issues or gaps? What would we do if..."

Forrester adds that expensive formalised systems are not required: a robust conversation between the Board and the CEO or the CEO and the HRD is sufficient. "If there are gaps, what are you doing to bring people up to speed? The worst case scenario is when a CEO leaves unexpectedly, someone is elevated to the role quickly, and only then realising that they are a great technician but they've got huge gaps in people skills or communication skills," she says.

The 2009 CEO survey by Booz Allen indicates that Boards now appear to be

## The four 'H's of leadership

In search of direction in 2010, CEO of specialist recruitment and HR services company Randstad (Asia Pacific), Deb Loveridge, looks to Dutch leadership expert Manfred Kets de Vries' four 'H's of leadership.

### Hope

Research by Harvard Business School shows that people want to see progress rather than receive recognition; they want to see they're making a difference and get a sense that things are getting better.

The good news is leaders don't have to go too far to find hope in 2010. There is no doubt that the economy and general employment conditions are getting better so there is still plenty of reason for optimism and hope.

### Humanity

This is best reflected in a company's CSR. It's about connecting with the community – whether through charity, demonstrating conscientious corporate governance, or using influence in a positive way.

The corporate world is very powerful and its leaders need to recognise they can create positive outcomes for their employees outside of work, after all companies are comprised of people and we all have a desire to better the lives of those around us.

### Humility

Humility means not being a celebrity leader and remembering what it's like to walk alongside your staff. If you sit in boardrooms all day, you'll lose touch with your employees – the key is to never stray too far away from the shop floor.

Some of the best-performing and more enduring companies have self-effacing leaders who are able to look in the mirror when things go wrong. They can take a good look at themselves, their decisions and their methods, analyse the situation, and look at how they can make a difference.

### Humour

Never lose the ability to have a good laugh at yourself. Leaders who relax and enjoy being at work put their staff at ease. Given we spend so much time at work, we should enjoy what we're doing. Laughter

is particularly important for leaders because its effects cascade through the organisation. It's well documented that a happy employee is a productive employee.



Deb Loveridge

'road-testing' potential leaders as chief operating officers or chief financial officers before giving them the wheel. Fifteen per cent of new insider CEOs were auditioned, meaning they joined the company they now lead within the past three years.

When leadership positions cannot be filled from within the company and the company employs a strategy of creating a pipeline of future leaders, then recruitment should use the same measurements to test the existing competencies or future potential of candidates used to assess internal candidates.

However, while the focus is quite rightly on CEO succession, Snell argues that organisations need to think laterally. Firstly, succession plans need to go much deeper into organisations, so not just c-level but critical positions. Additionally, these plans need to be combined with the career aspirations of current employees. One of the keys is visibility. "In your company, if you can see where you would like to go, you should be empowered enough to take the steps to get there. It no longer has to be a one-sided relationship with managers dictating where people can move," she says.

### Using technology

Employee self service sounds great, but the traditional Excel spreadsheets used in the past to keep abreast of qualifications, experience levels and aspirations of employees will not cut it. "The challenge is there's so much information," says Snell.

Instead, Snell talks about the fundamental core of a HR technology system being the talent profile, which starts with all the knowledge a candidate presents at recruitment stage. "As a candidate you provide a lot of information. The company will know about your experiences, skills, if you have certain certifications, your education. It's all captured upfront, and then it gets lost. Most companies know more about their candidates than their existing employees," says Snell.

Far more useful is capturing that information and then adding to it during a person's career with the company. Performance review information can be added. Then, as the person stays with the company and moves into different roles, information can be added to the profile.

"Two or three years down the line when you find you need a project manager who is bilingual, instead of going out and sourcing a new hire, we can see whether there is someone in our workforce who would fit that. Perhaps in their current job those bilingual skills weren't needed so it would have been lost. That's an example of how that core information can be tapped and mined for so many different scenarios.

"You can compare employees on succession plans, and the employee themselves can add their career aspirations, they can look for other opportunities, they can find a mentor to help them grow and move through the organisation. The technology makes this scaleable," says Snell.



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– Sue Forrester

## Leadership development checklist

| Steps | Actions to take   |
|-------|---|
| 1     | Determine the best leadership style for your organisation |
| 2     | Identify current and potential leaders within the company |
| 3     | Identify leadership gaps                                  |
| 4     | Develop succession plans for critical roles               |
| 5     | Develop career planning goals for potential leaders       |
| 6     | Develop skills road map for future leaders                |
| 7     | Develop retention programs for current and future leaders |

Source: Taleo Research

## Steps towards leadership development

Once recruitment processes have been honed to filter the right people into the organisation, gaps identified, and the skills and experience of existing employees have been assessed, formalised development plans can be put in place.

Leadership development, like any L&D initiative, needs to have clear objectives in mind. At AGSM, Howard notes the motto is: start with the outcome in mind. This means that – logically – if an organisation looking to invest in people, it needs to be clear on what business outcomes are to be achieved.

“What gap is there? You may need to lift the sales level or lift the speed of producing a new product – you must be very specific about what the tangible, measurable business outcome that you want to achieve. Then you ask what leadership or other capability development do I need in

order to better enable that,” Howard says. Snell adds that there has been a resurgence of the apprentice model in grooming leadership.

Coaching and mentoring has been gaining favour as an element of succession planning programs. A 2008 AMA study, *Coaching: A Global Study of Successful Practices*, surveyed more than 1,000 business leaders around the world and found that nearly 60% of North American companies use coaching for high potentials frequently or a great deal, and 42% use coaching of executives to the same extent. These percentages were higher in the international sample. The use of social media in mentoring programs is starting to be a popular way to support external mentoring programs.

CEOs should not consider themselves above further development. “Great leaders know that to stay at the top of their game they need to be continually

learning – and at that stage in their career it’s most probably going to be experiential not academic,” says Forrester. “A regular forum, a safe confidential haven, at which peers provide feedback, advice, support and challenge your opinions and thoughts is gold for CEOs – which is why the CEO Institute experience is so valuable for our members,” she says.

## Eye on the future

Management consultant Peter Drucker once said that leaders are not born, they are grown. Looking at the challenges facing leaders today, it’s clear that the development and retention of leaders as a talent management strategy will provide positive results to the organisation, not only in 2010 but beyond. “One of the things we learnt from 2009 was that 2010 did come, and 2011 will come,” says Snell. “The question is, which organisations will embrace the future?” HC



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