CEO Insights

The top ten challenges facing the CEO of the future

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Author: Dr Lindsay McMillan OAM

a future that works

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Reventure Ltd is a not-for-profit organisation designed as a think-tank to undertake research and stimulate public debate and solutions about workplace matters.

Converge
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Converge International was established in Australia in the 1960s to provide a range of specialist human resource services.

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Executive Summary

Introduction

This report is about leadership in the workplace in a time of unprecedented challenge and change.

50 CEOs have given their insight into ten topics impacting on leadership in the modern workplace. Never before has such a study been undertaken.

There are some points of agreement, some disagreement, some genuine tension, and many valuable suggestions for solutions.

This is Reventure Ltd's second significant research report following from the 2016 Snapshot of the Australian Workplace which highlighted the

perspective of Australian workers including how they view their bosses.

This is a new perspective in an exciting and necessary debate gripping Australia and being driven by our national campaign *a future that works*.

I encourage CEOs and their workforces to read the research, engage in the debate and help lead the necessary renewal for all Australians.

Dr Lindsay McMillan OAM

Dr Lindsay McMillan OAM

Dr Lindsay McMillan OAM is a leading Australian academic, thought leader and social commentator in the field of human resources and the complexities of the modern workplace.

As the Managing Director of Reventure Ltd, Dr McMillan is charged with undertaking research, raising public debate, and helping to renew workplaces for the future.

He is a regular researcher, author and presenter in Australia and internationally.

For decades, he has led social enterprises and an international human resources company, as well as serving in non-executive director and chair roles with boards. He is a Fellow of the Australian Institute of Company Directors.

It is this practical experience in a range of leadership roles that drives Dr McMillan to work with CEOs and their workplaces to strive for greater job satisfaction, true meaning and purpose, and optimal performance.

Dr McMillan holds a Doctor of Health Services (Psychology), a Master of Education and a Bachelor of Health Administration.

He is a recipient of an OAM for services to Australians with disabilities through a range of health organisations and employee assistance programs. He is a Churchill Fellow and a recipient of a Rotary International Foundation Fellowship.

01

The CEO of the Future

The days of a hierarchical, dictatorial workplace are gone – leaders must lead through engagement, persuasion, role modelling, trust and creativity. The following are the top ten pointers our CEOs had for their colleagues:

1. Leaders need to model the change they want to see occur in future workplaces.

2. Recognise the authority and seize it to make even small changes which impact on ourselves as CEOs but also their workplaces and employees, and the industry in which they specialise.

3. Talk about how you measure performance around vision and innovation not just the short-term benchmarks.

4. Relinquish authoritarian control, delegate to and trust in others who will work in teams – and grow their resilience and wellbeing.

5. In a team environment the CEO will need to compromise on decisions, see opportunities and skills in the team, negotiate, persuade and lead.

6. As a modern leader, be nimble, adaptive and creative – innovate and show vision to compete in a global market in a time of rapid change.

7. Be a friend to ambiguity and uncertainty.

8. Find a way to let go of the day-to-day control and step away from the detail, and to reflect on what you have done, where you are going, and what you are contributing.

9. Be open to changed work practices which reward creativity, provide community, engage in sustainable practices, nurture and support staff and see connectedness of business, family and community life.

10. The changes do not have to be revolutionary, but they start with each and every CEO being open to connecting head and heart, listening carefully and slowing down to allow reflective in-action to guide decisions.

"It's not all about doing it yourself anymore. It's either about partnerships, collaborations, a whole kind of web if you will."

"The whole strength of leadership theory that we were taught 10 or 15 years ago is gone. It's now about authentic leadership which says I am one of you and I don't have all the answers but I am prepared to do what it takes to get us over the line collectively. That's the kind of leadership we are going to need in the future."

"We must create an environment for thinking not just an environment for responding."

"If we were ten times bolder we would throw out the current model and start again."

02

A Time of Rapid Change

CEOs agreed that the rapidity of change was the most significant pressure point creating an uncertain future.

The growing role of Asia combined with the impact of technology on the pace and connectedness of business, and structural changes to work environments back home; are three challenges that CEOs agree make this decade a time of rapid change.

CEOs talked about the entry of developing nations to the global economy leading to a historic shift from western dominance to the rise of China and India. This has displaced traditional industries from Australia such as manufacturing, textile, clothing and footwear.

However, within those emerging powerhouse countries is the development of new middle classes – more than 70-million in India, and in China it is

forecasted an almost non-existent middle class in 1995 will grow to 340-million people. This brings new opportunities. Some CEOs wondered whether Australia's relatively strong performance through the GFC meant a sense of complacency had set in, and opportunities were being missed to re-examine our role in the future global economy. This is a cause of concern and uncertainty for some.

Concurrently, there was an expectation that technology would free up CEOs to work with customers, staff and executive teams located anywhere in the world. Instead it has led to an 'always on' 24x7 approach to the job from which CEOs cannot clock off.

Technology-related challenges continue to emerge such as remoteness of employees, the casualisation of the workplace, a rise in project outsourcing leading to what some call an 'outsourcing epidemic', and the need for systems and skills to manage and communicate with disparate teams.

There is uncertainty about the ongoing pace of change and the requirements of CEOs to remain competitive in the new marketplace both globally and at home.

"There's more and more technology that's supposed to give you a shortcut, but I don't think it does."

"We're no longer thinking about simply preparing Australians to be Australians operating in this country alone. We're looking at responsibility, global responsibility and global mobility."

"Number one is dealing with Asia, and number two – it's the galloping nature of technology, social media and communications."

"There's a sense that Australia got through the GFC but missed some sort of an opportunity, so that is creating uncertainty."

"Ambiguity and uncertainty are common elements of business life at the moment, but...the [CEOs] who manage that well will be successful."

03

Information, Disruption & Innovation

CEOs acknowledged the fast pace of work allows little time for reflection and deep reading of business materials. Although all found some time to keep abreast of information and trends in their sector, the quality of this time was not as satisfying as they would wish.

They spoke of reading the newspapers, some also read business journals, and they talked about meeting with colleagues to share views. The most common mode of keeping up-to-date was the internet.

Many CEOs expressed concern about relying on 'short' or 'humorous' articles in the media or on the internet, and were also conscious of relying on the interpretation or opinion of others which are often delivered as fact.

However, with little time to reflect, there was concern about conventional wisdom developing whereby information becomes fact without examination of evidence or efficacy. There was also an acknowledgement that out of reflection was born creative thinking and innovative leadership, and were concerned that this was being squeezed out.

When asked about information, technology or ideas being a 'disruption' or introducing notions of ambiguity into the workplace, the minority of CEOs saw this as a negative concept. Some thought it was the influence of unions as disruptors, and others generally viewed disruption as an unhelpful negative in what would otherwise be a smooth business operation.

On the whole, CEOs generally agreed that there was value and a place for ambiguity and disruption to the creative growth of business.

"I do read, but mainly rely on others around me to help me stay up-to-date."

"I attend webinars and training courses. Interestingly, I am finding all the concepts are the same that you find in a box that was written in the 1950s."

"People have got to be leaders, they need to be curious about the ambiguity and not constantly trying to solve it."

"I look to disruptive innovations, disruptive technologies, in fact, to assist mankind with some of our most wicked problems."

"I see opportunity in ambiguity to a large degree – which is different to most people. I think there's some symbiotic relationship between entrepreneurs and those factors."

04

The Moral Compass

Half of the CEOs interviewed said that business had lost its moral compass.

Some noted that business may never have had a moral compass and questioned whether it needed to. Others said that business had lost its way after the GFC because the growth in compliance and risk management had been viewed as a substitute for moral values; and the remainder questioned whether that simply reshaped the opportunity and now the moral compass lies in corporate philanthropy and the way staff are treated.

It was strongly argued that strict compliance regimes have improved business behaviour – particularly unethical or criminal behaviour which many said was rare these days anyway.

Many noted that as a result, the moral compass now goes beyond business practices to the organisation's culture and the way CEOs treat their staff.

There was concern that staff are still treated in a manner which has lost civility if not a moral standard, and that corporate philanthropy is an attempt to buy into a perceived moral position.

The question of moral relativism arose – whereby moral positions are not objective, but are subject to social, cultural or personal preferences – and there was a view expressed that in this environment the CEOs become the arbiters of what is rightfully moral. When there is pressure to increase profits, grow market share, stay ahead of clients, then this leads to short-cuts in the way staff are treated.

There was agreement that those businesses which managed to balance the moral compass with compliance and risk would find this was a key to success.

"It's just a pressure to be politically correct, so we brush aside some things so that we just go with the flow."

"2013 was a watershed year for something like a 23% or 24% increase in corporate philanthropy."

"I think business losing its code of civility more than its moral compass."

Lost its moral compass? That would assume it had one?

"I think businesses found that good ethics and running good values actually are complementary to good business outcomes."

"My concern is that our moral compass has become a compliance obligation as distinct from something that drives the way we do business."

"The goal becomes whatever we can do to stay alive and increase profits."

05

Addicted to Urgency and Busyness

"Business is becoming more administrative and more compliant and more legalistic in the decision making. The trade-offs for decisions certainly have a different focus. That is certainly causing investing in business owners to be far more conservative and how they think of expanding the business."

CEOs were reluctant to talk about profit as the driver of the business – instead preferring to talk about the impact of their business such as 'I help people sleep easy' (financial advisory), 'I help people to live healthy lives' (private health insurance).

For many, profit as a motivator seemed to have some negative connotations associated with greed. It seemed incompatible to many that profit could sit comfortably with community good.

It was therefore frustrating for many that the bottom line was the focus of their reporting and the measurement of their success – leaving little time for creative thinking or visionary work to grow the business.

It was also felt that profit as a driver was a 'shackle to the present' preventing often broader thinking about their sector or market. Leaders felt they would lose their job if they do not perform to a limited criteria of what can be measured – this is particularly so around profit to shareholders and financial risk.

CEOs almost unanimously did not see themselves as free to always act in the way they may wish. While they aspire to be visionary and creative, and believe this type of leadership is needed, they may feel unable to speak out about doing things differently and feel caught in the day-to-day world of keeping up short-term cash flow, minimising risk to the business and dealing with compliance issues.

This translates to a feeling that busyness is what matters – and this approach allows CEOs to avoid the fearful thoughts that they may not actually know where they are going.

Nearly two-thirds of CEOs spoke about wanting to step back from day-to-day matters and spend time focussing on the longer term sustainability of their business.

"Busyness can be addictive"

"In terms of business goals, if you chose goals because they are measurable and ignore the goals that are not measurable, then you end up doing a very small subset of what's truly valuable."

"We want creative and visionary leaders, but we monitor workflow, measure outcomes, hold annual performance appraisal and blame people for non-performance."

"Business in its current context is split – between having a purpose for why they exist and a fiscal sustainability."

06

Profit or Community Value?

This was the all-time classic 'why are we here' debate.

The clear majority said the purpose of 'business' was to make money, but also there was a necessity to provide benefit to the general community. That benefit may be in terms of goods or services created or the contribution to wealth overall – to develop society, to create equal benefit from business outputs, to give back to the community or to build social purpose.

It was appreciated that the legal purpose of business in a capitalist system is to be profitable – that staff members of any business have a responsibility to owners (or shareholders) to create wealth from the activity of the business. That said, most CEOs felt uncomfortable with this as a single focus.

Increasingly, for the majority of CEOs, 'work' is about providing meaning to people's lives. Phrases used in discussions included – improving self-esteem, creating value, providing employment, giving us all a better life, creating real value in the community.

In that sense, a number of CEOs noted that workplaces had taken the role of Churches in terms of the relationships that are forged and maintained. They therefore view it as the CEOs responsibility to ensure that good relationships are built and that staff members are safe and well at work.

"We were talking about the purpose of our business, and a new staff member, a business analyst said 'that's easy, our purpose is to make a profit.' I actually challenged him on that."

"Self-esteem is so closely linked with our ability to contribute to society."

"Winning business and cash – that's all it boils down to at the end of the day. Everything else is pretty much irrelevant."

"A business operates in an environment, in a community – surely it's got some responsibilities to that environment and community."

"People spend most of their days together in their workplace, so that is one of the few avenues left to build community."

"We don't want people to be automatons when they come to work. It's not like you leave your emotions at the door. It's about the whole person."

07

Is Resilience a Buzzword?

Many CEO's described wellbeing as a nice but meaningless buzzword and, contrary to the views of psychologists, did not believe you could 'teach' or 'foster' resilience in a staff member.

Leaders see resilience in personal terms – fighting again when knocked down, learning from mistakes and picking yourself up again - largely a repeat of the stereotype that a successful businessperson is stoic, strong and takes responsibility for his or her individual mistakes.

A smaller number of those interviewed described resilience as the 'courage to innovate', and thus a critical characteristic in today's business world. A couple of CEOs went so far as to say the current generation does not have any resilience and that there is a lack of personal responsibility for the way they react to matters in the workplace.

Very few CEOs voiced a responsibility for helping their staff build resilience, seeing it more as a personal trait that you either have or you do not have, and more akin to mental toughness.

They did however, acknowledge the role of resilience in the workplace in terms of productivity, focus and leaving emotional responses behind. Without resilience it was noted that staff would not take risks or seek creative solutions, but at the other end of the spectrum there was concern that being 'too resilient' would mean a complete emotional disconnect that was unattractive in a team environment.

There was a similar response to wellbeing – with CEOs split almost evenly on whether it was the responsibility of the workplace to provide wellbeing programs for employees. Some stated it was something that individuals should look after for themselves, and others were of the view that good leadership and good decision-making should reduce stress and add more for wellbeing than any 'window dressing' style wellbeing program.

"Self-responsibility is lacking and this fits with the entitlement mentality and the whole victim culture that's been set up in the last 10, 15, 20 years. We're becoming victims now."

"We used to talk about triple bottom line and quadruple bottom line, we don't have any of those conversations now. Like most of these things, they start really, really well but three months later it's like a gym membership and you are no longer going."

"I think wellbeing can be built, managed, enhanced, cultivated, and we know that the components of that come back to some really core principles about being human."

"So, I suppose resilience means somebody's got lots of antibodies in their system and they can be thumped and still bounce back."

"Without resilience you become risk adverse, and then you are in trouble."

08

Power and Authority

While the word 'authority' is mostly used in a positive sense, often the word 'power' is seen as a negative to be avoided in conversation.

As a result, there was little acknowledgement of the power of business leaders – some CEOs spoke of all things being equal between themselves and their staff, and others spoke about knowing the power is there but being unable to use it when needed.

It is impossible to deny that power exists because the power belongs to the person or people taking the risk – all cannot be equal in a profit-making business. The danger in making the wrong decisions, the pressure of having to provide all the answers, the power to hire and fire, these are what make leadership an intricate and multi-layered practice.

CEOs agreed that a true leader must be comfortable with the power and have the strength to tolerate any disapproval that decisions sometimes engender.

Some went further to note that the denial of power in the role of a CEO may lead to power becoming an issue – a leader may say 'we can

decide together' but in reality there is much more at stake in the workplace, regardless of whether it is the traditional hierarchical structure or a more networked and integrated model. The concern of CEOs is if that power is denied, it can manifest itself in the workplace in a dangerous manner by being exercised coercively and unconsciously.

The art is in the balance of that power. Either a leader has too much and it is 'us and them' or the workforce has too much and the leader is powerless to change anything or to influence anything which in turn is disengaging for the workforce.

Good leaders take up the authority that their position bestows on them. Current business leaders did not see themselves as free to always act in the way they may wish. While they aspire to be visionary and creative, and believe this type of leadership is needed, they feel unable to speak out about doing things differently and feel caught in the day-to-day world of keeping up short- term cash flow, minimising risk to the business and dealing with compliance issues.

"A CEO who thinks that he/she is the source of all visionary input, that he/she is the clearinghouse for all ideas and the permission given for every detail of what happens everywhere is somewhere between a maniac and a fool."

"There is this game we all play which is that you're supposed to be in control."

"I don't have all the answers but I'm prepared to do what it takes to get us over the line collectively. That's the kind of leadership we need for the future."

09

Separating Corporate from Personal

This is a challenge impacting on both CEOs and all those in the workplace.

Not only did CEOs speak about how being a good leader meant they had to repress and hide their true feelings in the workplace, but they also spoke about the unfortunate trend to commoditise members of staff, to expect them to check their emotions and personal lives in at the door and to focus on work only during work time.

Some of this was a product of size as an organisation grows larger it becomes more impersonal; some say it is dependent on the industry and its level of regulation as a focus; and others found that the volume of work determined how much time was available to be 'personal'. Mostly though, CEOs found this to be a by-product of measuring profit and the bottom line rather than measuring a wider range of outcomes.

Success at work seems to be about 'playing the game' and being in control by being tough, resilient, stoic and ignoring the vulnerabilities in ourselves and in others. This is quite contrary to the growing trend for teamwork and collaboration in dynamic workplaces and leads to an environment where so-called teamwork means answering emails at 11pm at night or feeling like you are 'letting down the team'.

CEOs say the solution lies in two areas – leadership style and being able to grow teams.

According to those interviewed the 'solo heroic leader' who is awake longer and longer each night and works harder and harder so never sees their family, is old-style. They also spoke about the importance of teamwork and collaboration in the workplace of the future, and how this was entirely dependent on good personal as well as corporate relationships.

"I think that there is an overwhelming loss of people, relationships at work. I think people have become much more of a commodity."

"If you are thinking to yourself, gee it's lonely here at the top being a leader, my answer is what on earth are you doing at the top by yourself?"

"We don't want people to be automatons when they come to work. It's not like leave your emotions at the door."

"People come in to see me and say they want to talk about business, but they don't. They talk about their wife and kids and their health and everything else. Every now and then they talk about business."

"I use the term balancing the heart and the head and my executive team know exactly what I mean when I talk about that."

"It's very, very hard for a global corporate to be a loving, caring place to work."

10

The CEO's Legacy

Almost without exception, a CEO measures his/her worth by the relationships they form.

Primarily this is around family and children and making them proud, but many searched for relationship-based work environments as well. Often CEOs would talk about the impact they had on the lives of those who work with them - phrases used in the interviews included 'creating healthy workplaces', 'helping staff do great things', 'changing people's lives'.

They expressed tiredness at the need to be seen as always in control, always on, always across the day-to-day detail, and they intuitively appreciated that connectedness, fellowship, and mutual care will build relationships necessary to sustain life and leave a worthy legacy.

Some respondents talked about a 'tipping point' and the irony of damaging the future of the planet in order to leave a legacy for children and grandchildren. They talked about the unsustainable and increasingly unrewarding role of a CEO presiding over the undermining of everything that is important to them as a legacy.

"I would measure my life in how well I have done for others out of the things I have done. In other words, what consequences of my actions lead to good things for other people."

"The legacy is more about who I am and who I have been in situations rather than what I have done and what I have achieved."

"My legacy is to have people miss me when I am gone."

"What should be keeping us awake at night is living happily and harmoniously on the planet in 20 years' time or 50 years' time. I would suggest that this is the last thing keeping business leaders awake at night at the moment."

"If you are going to say our purpose is to make lots of money and we must all try harder, then we keep building the people to try to do things harder and faster and better – it's not sustainable."

About the Research

The interviews with 50 CEOs were gathered over an 18-month period in Australia, UK and USA utilising chain-referrals.

- **69%** were men and **31%** women.

- **75%** were aged between 45 and 55 years, **13%** were younger, and **12%** were older.

Interviews were conducted by Dr Lindsay McMillan, with the responses overlaid with a literature review of key academic reports.

Particular credit is extended to Dr Kate Dempsey for her help in processing and analysing the interviews.

Thank you to the participating CEOs and the authors of a number of academic reports.

A full version of this report is available on request.

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Manufacturing

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Board governance

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Forestry

About the Campaign

a future that works is a national workplace renewal campaign launched by Reventure Ltd in response to the **2016 Snapshot of the Australian Workplace** finding that nearly half the Australian workforce will be looking for a new job in the next year.

The campaign is aimed at providing solutions and practical guides so that workplaces can more actively engage with modern challenges and become healthier, happier and more engaged with better cultures and higher levels of commitment and productivity.

When you **JOIN THE CALL FOR CHANGE** you will be engaging in the latest research, helping to raise the level of national debate on workplace matters, and be an advocate for the future.

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