

EXECUTIVE SUMMARY

ART OF LEADERSHIP RESEARCH

NOVEMBER 2013



Overview

At SMG, we are very focused on understanding our clients' needs and concerns in addition to the leadership implications of their business challenges. Consequently, we conduct regular pulse checks to inform how to best support individual leaders, teams and organisations.

Our most recent research endeavour, conducted by Dr. Órla NicDomhnaill, the Head of SMG's Assessment & Succession Practice, involved examining the current Australian macro-economic environment, key business challenges and how they have impacted organisations and leaders alike.

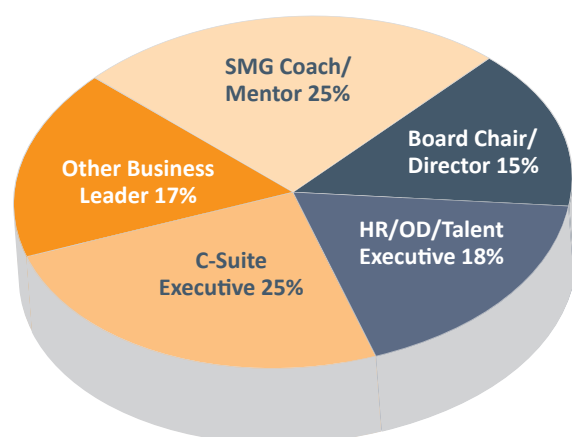
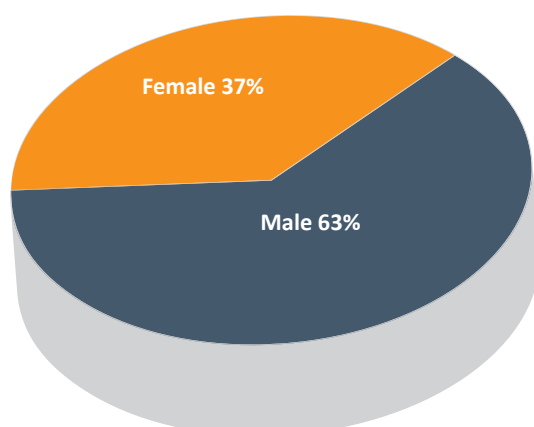
The purpose of the research was to explore the:

- Critical changes and challenges in the macro-economic environment post-GFC and the leadership requirements that flow from those changes and challenges.
- Relevant leadership gaps or derailers in the Australian and global context.
- How to spot leaders with potential and best support them.

We interviewed 76 C-suite leaders, Chairs, Directors, HR/OD and business leaders in addition to a sample of our Coaches and Mentors during September 2013 and collected 2,100 comments.

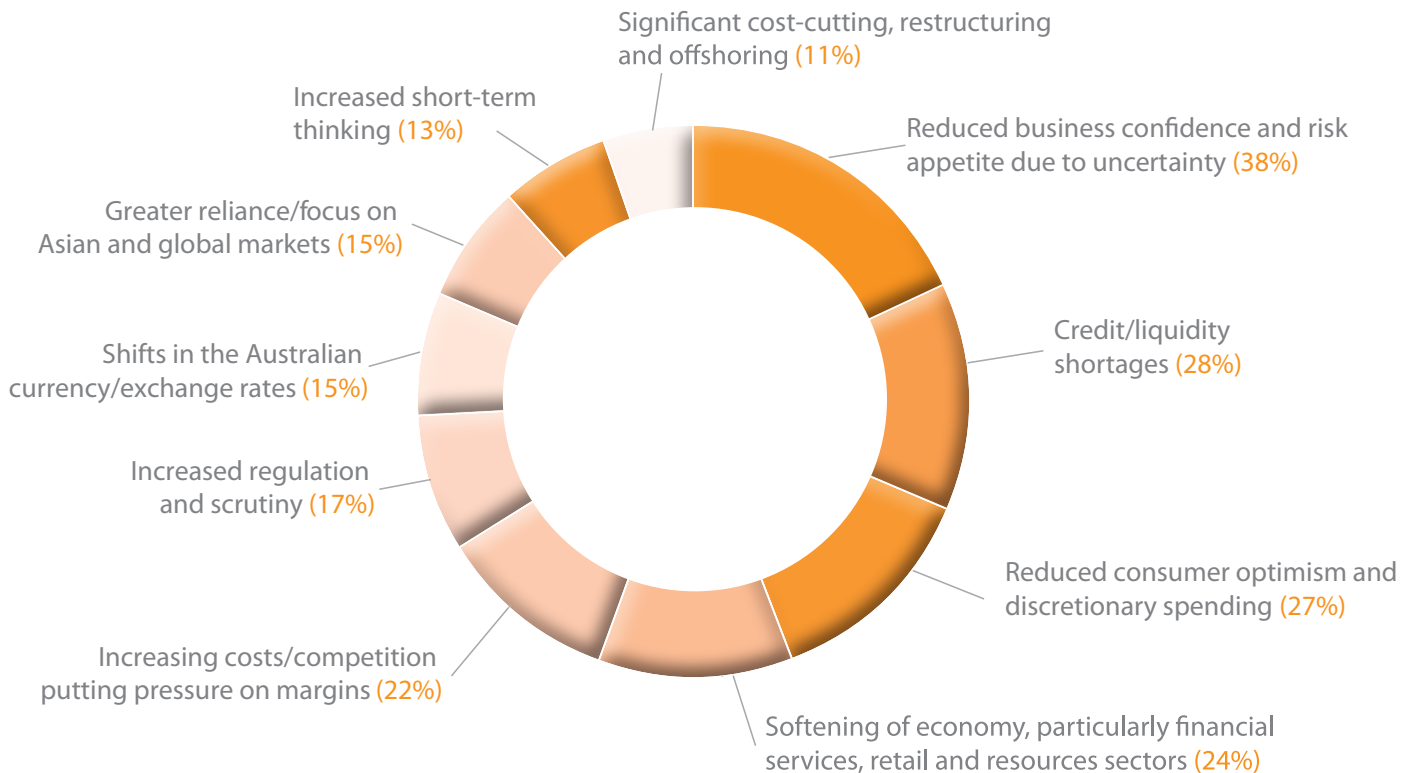
Each of these comments were content analysed into themes and this report provides an executive summary of the themes that emerged. Percentages listed indicate the percent of interviewees who made a comment within that category. Given respondents provided more than one idea for each question, the percentages do not sum to 100%.

Participant Demographics



> The Findings

1) What are the most significant differences in the Australian macro-economic environment post-GFC? (i.e., comparing economic conditions to pre-2008)



Responding to increasing uncertainty and decreasing confidence across key stakeholders were critical themes that emerged to describe the post-GFC landscape. Decreases in optimism, confidence and risk appetite were highlighted across the board for consumers, government, lending institutions and organisations/their Boards. "Doing more with less" also emerged as a striking trend as organisations respond to downward shifts in consumer demand, increasing cost of doing business and significant global competition.

"Risk appetite and confidence issues are obstructing growth, despite the relatively strong fundamentals of the domestic economy."

- C-suite executive

"Boards and Directors are significantly more focused on debt and risk management than "bold" growth opportunities."

- HR/OD/Talent executive

"Business confidence has been significantly impacted. I read some research that the Australian population feels 50% less confident about their financial wealth situation than other western countries."

- HR/OD/Talent executive

Other comments related to increased public debt, rising unemployment and interest rate shifts.

2) What does the future hold for Australian business? What predictions would you make for the macro-economic outlook for the next 2-3 years?



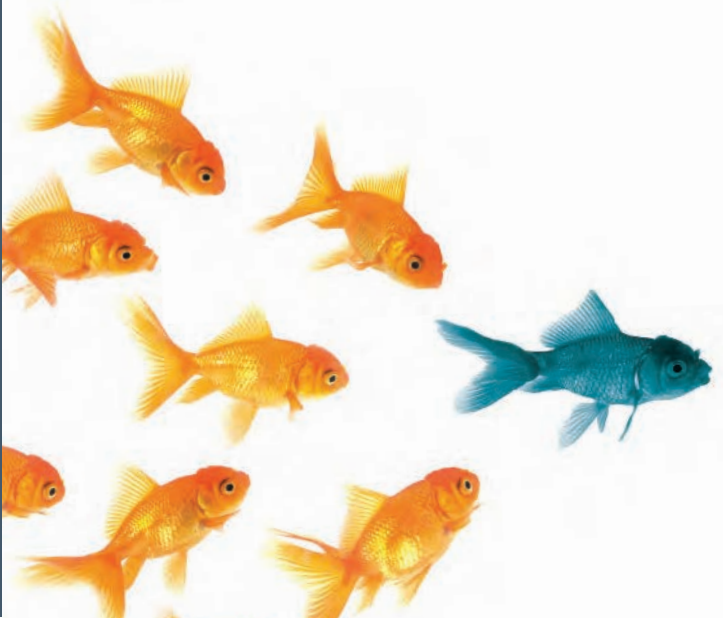
*The outlook is positive,
with a spotlight on
Asian and global markets*

46% of interviewees made general comments on the overall economic future.

- > 30% predict a more positive macro-economic landscape in the next 2-3 years, with some specifying this will start with a stabilisation period for 2014-2015.
- > 11% of interviewees believed the macro-economic outlook will remain the same for the foreseeable future.
- > Only 5% projected a more bleak outlook for the coming 2-3 years.

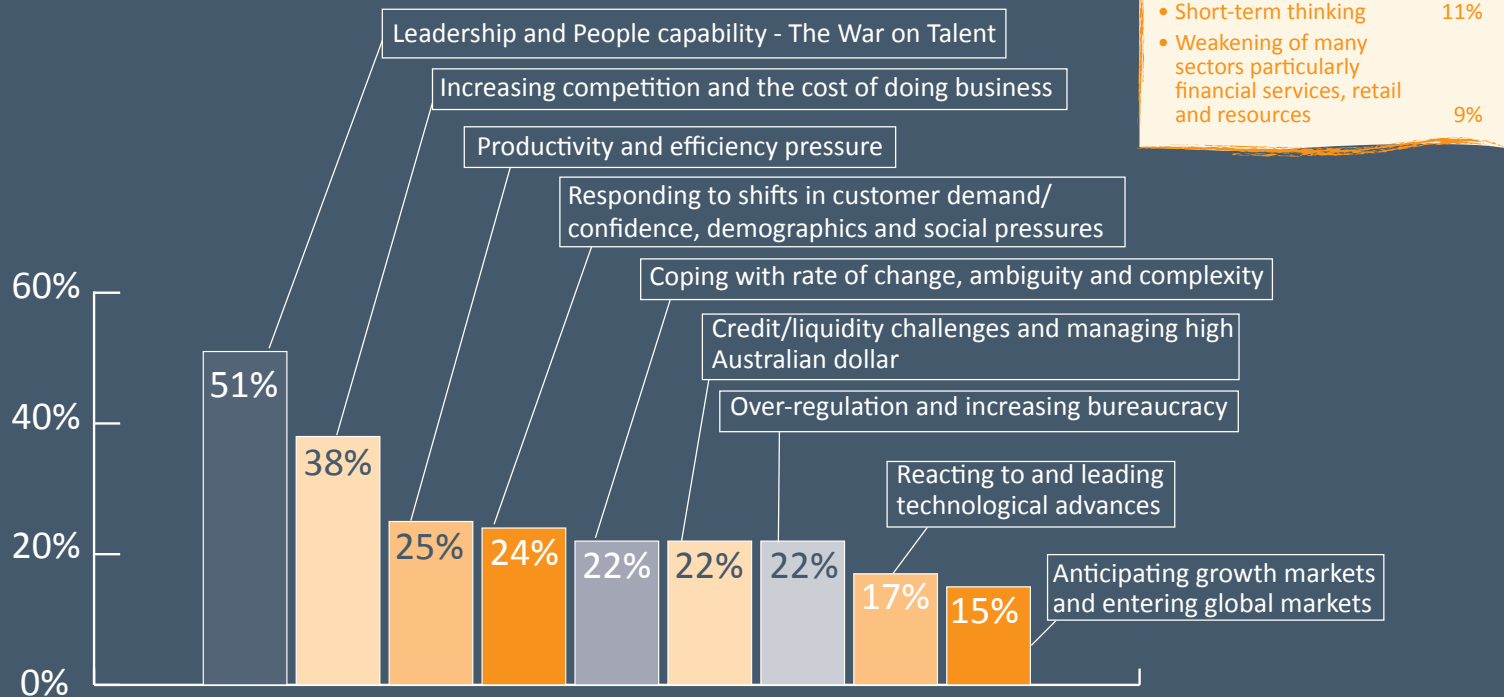
28% of respondents shared predictions regarding the impact of the newly elected government, including a general increase in consumer optimism, business confidence and overall pragmatism. Predictions were also made about decreased bureaucracy and regulation under the new government.

The third trend in predictions related to the need for increased focus on Asian and global markets, with 24% of interviewees predicting this shift, with particular focus on China and India. Some warned of the risk of over-dependence on China's demand for Australian resources, with one cautioning, "Although we've been propped up by the resources boom and China's demand, we can't rely on this forever."



"We will struggle unless we learn how to leverage growth markets in Asia and to a lesser degree, Africa and South America. If we don't leverage that growth potential – not simply digging stuff out of the ground – we will struggle to compete"
- C-suite executive.

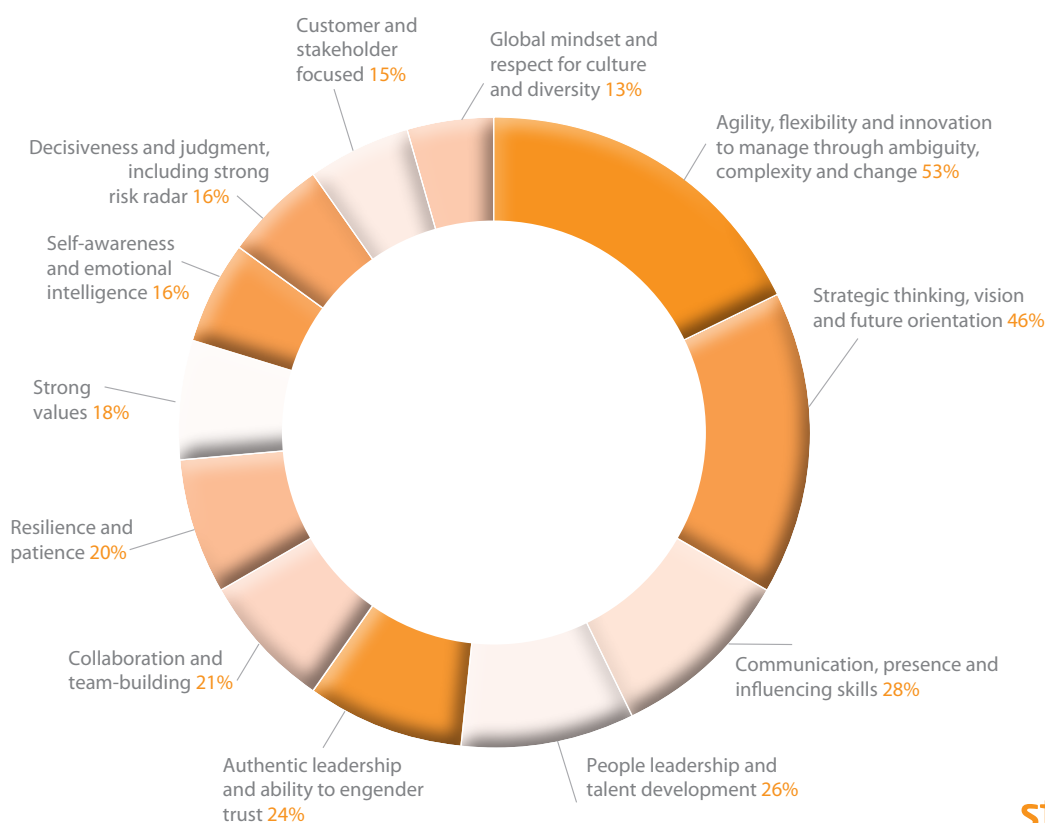
3) What are the most common business challenges facing Australian organisations today?



When we asked about the key business challenges facing organisations, the largest concern, raised by 51% of our participants, related to Leadership and People capability challenges, including skills shortages, the “War on Talent” and ineffective leadership styles, implying the need for significant focus to address this talent dearth.

“Our biggest business challenge relates to people – having good quality, talented employees locally is my number one priority.”
- C-suite executive

4) What are the most critical leadership requirements for success in the Australian context to meet business changes and challenges?



Other findings included the need for

- Focus on execution and results with discipline and rigour 13%
- Listening, engagement and inspiration 12%
- Commercial acumen and financial literacy 9%
- Courage 8%
- Mindfulness, optimism and calm demeanor 5%

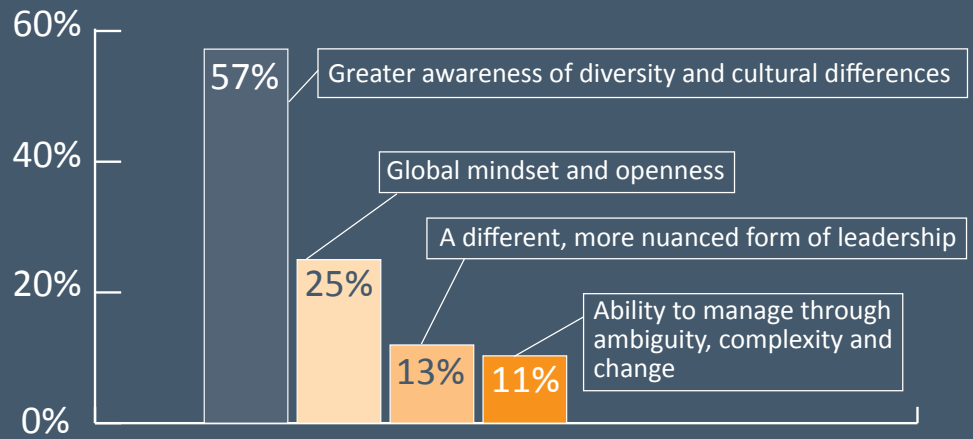
“Agility, decisiveness and action orientation are all critical so a company can take advantage of ideas and opportunities when they are there.”
- HR/OD/Talent executive

“A critical leadership requirement will be the ability to do dynamic, iterative and continuous strategic growth planning.”
- C-suite executive

Other responses included a greater need for:

- Stakeholder engagement, influence and teamwork 9%
- Strategic thinking and long-term view 9%
- Innovation and agility 8%
- Political and stakeholder savvy 8%
- Ability to understand and harness technology 5%
- Resilience, persistence and drive 3%

5) What, if any, additional requirements would you add if you consider global leadership?

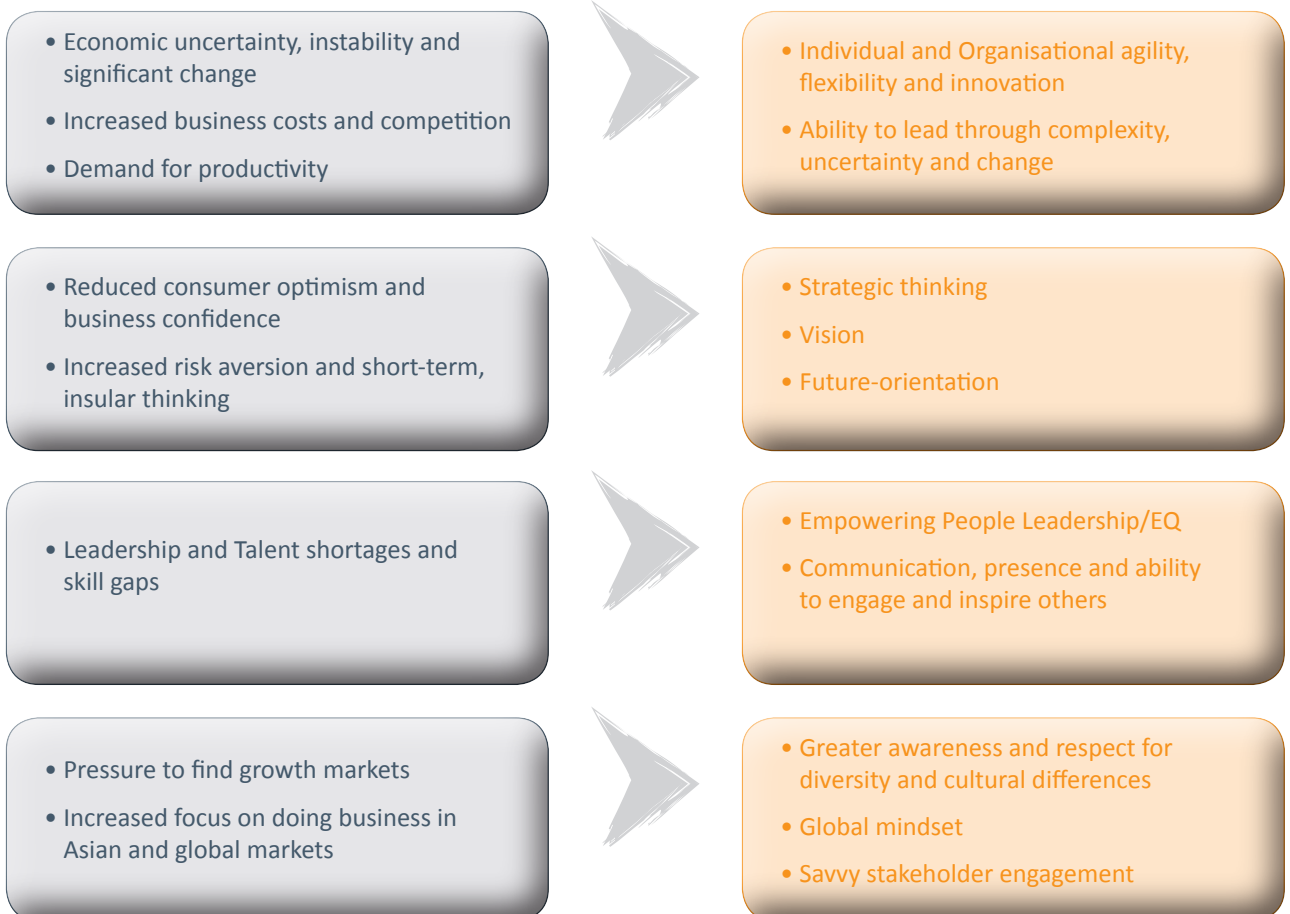


“Global business requires a different style of leadership - one of inclusion and respect for differences.”
- Board Chair/Director

“Diversity awareness is one of the additional requirements for Australians to have more global leadership. Australian executives on the whole are not as open to difference including background, gender, culture, working preferences ability/disability. An aging, able workforce will create further need for this acceptance in business.”
- HR/OD/Talent executive

What Business Challenges Require From Our Leaders

Some clear linkages emerged between the business challenges organisations are facing and leadership requirements for individuals, teams and organisations, as depicted below. The most significant of these was the extent to which the new environment of uncertainty and instability would demand increased agility, flexibility and innovation.



6) How do you personally define leadership potential? (i.e., What about any leader makes you believe they have the potential for broader roles in the future?)

When interviewees were asked how they personally define leadership potential, the top competencies related to communication, charisma, and influencing skills, raised by 38% of participants, in addition to personal attributes like self-awareness, EQ and empathy (26%). Leadership skills like long-term view and vision/future orientation (26%) and empowering people leadership (25%) were also deemed key indicators of potential, while 17% of participants raised the importance of a developmental mindset, incorporating the ability to learn from experiences and mistakes. The comment cloud below showcases the relative frequency on each of the keywords raised by participants, while the 4-quadrant model captures a model of leadership potential for the current Australian business context developed from the study findings.



“Leaders with potential are those who can see the big issues and present solutions in a way that peers and subordinates can accept and also see a role for themselves. Vibrant communication up and down the organisation in an atmosphere of trust is essential.”

- C-suite executive

“Potential relates to leaders who display holistic leadership qualities. They show technical brilliance, can work with groups, and show empathy and high EQ. That type of an all-rounder is the baseline for leadership potential.”

- Business leader

“I view potential as a mix of a leader’s demonstrated capability in stretch situations (both their ‘what’ and ‘how’), the impact of their actions and words on others, their ability and willingness to learn and adapt, and their self-motivation/career aspirations.”

- SMG Coach

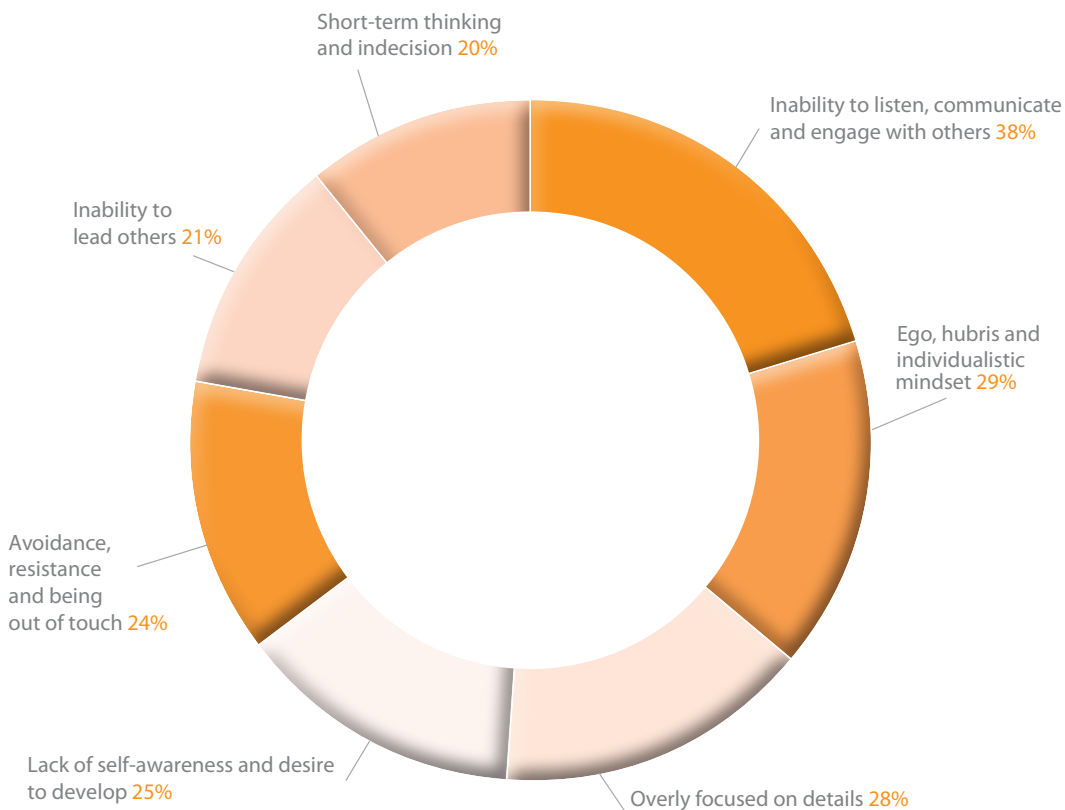
“Openness to learning and feedback is an indicator of potential, as is a commitment to self-development.”

- HR/OD/Talent executive

Emerging model of leadership potential



7) What are the top 3 leadership 'derailers' or Achilles Heels that you believe most detract from leadership impact?



Other findings include

- Lack of technical and business skills 16%
- Lack of integrity and role modeling of values 12%
- Insufficient change leadership skills 12%
- Politics, poor peer relationships and lack of collaboration 11%
- Insufficient respect for or skills regarding diversity 11%
- Poor management of time, bandwidth and stress 9%
- Low EQ, empathy and inauthentic personal style 8%
- Insufficient courage 7%
- Inability to deal with ambiguity and complexity and to adapt accordingly 7%

“The biggest leadership derailer is the inability to verbalise their vision, to connect with their people and connect the people to their vision. This is about being a poor communicator or not being authentic, which results in people not trusting you.”

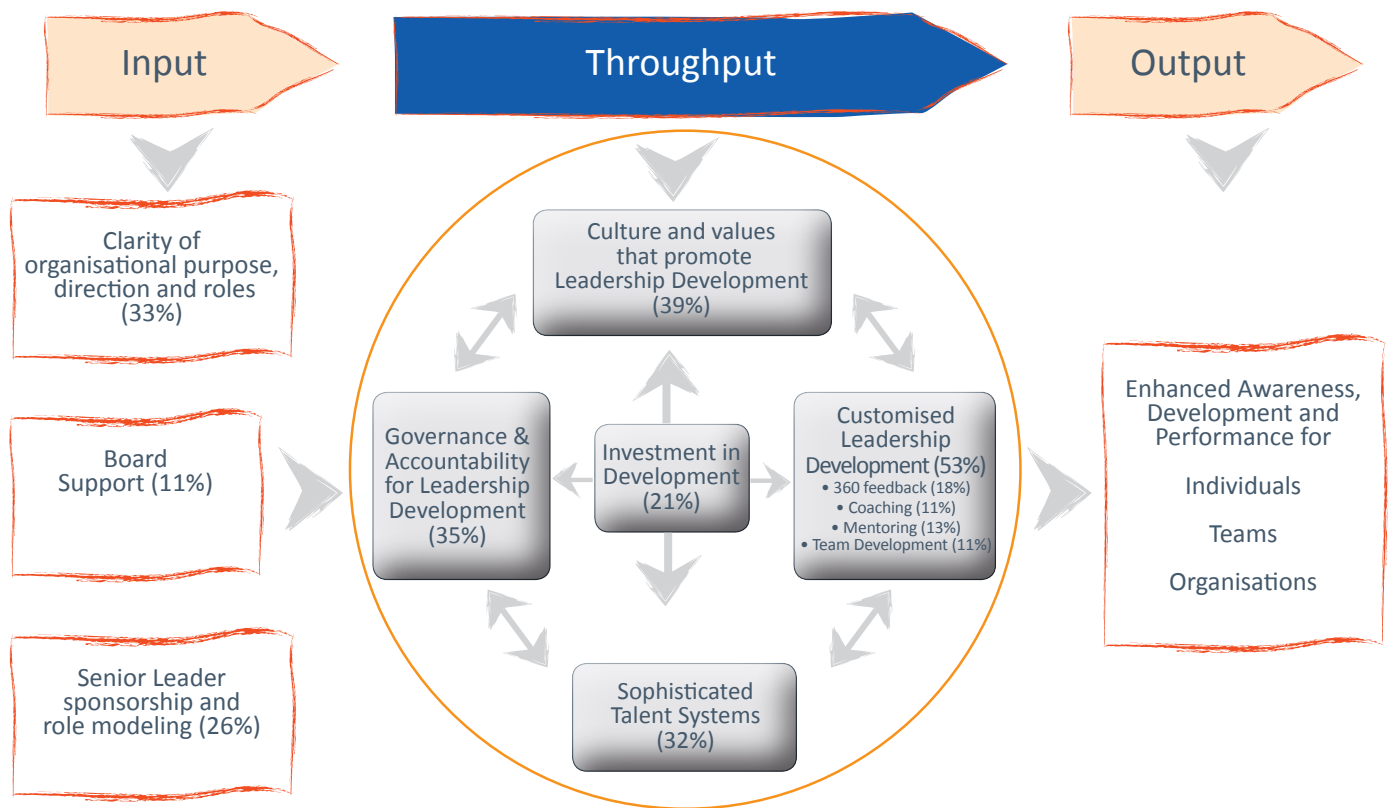
- HR/OD/Talent executive

“Ego is one of the top derailleurs of leaders. When ego is high at CEO and senior level, they have a myopic view of the world. They don't listen or trust others, so arrogance and hubris prevails and poor decisions are made. People will quickly disengage. If they don't disengage, the result is sycophantic people reporting to CEOs who are poor leaders.”

- SMG Coach

Leadership
A leadership ability to motivate, organizing a group to achieve a common intentional inf

8) What organisational success factors (i.e., support, resources, systems) are required to set leaders up for success?



As depicted in the model above, organisational culture and values that truly support and promote development and customised leadership development were highlighted as the most important ways organisations can set their leaders up for success.

“Leadership development is supported if organisations place value on good leadership, where leadership is recognised and acknowledged as a core component of a role and people are rewarded for doing it well.”

- HR/OD/Talent executive

“Organisations can support leaders by ensuring a strong leadership development ethos and a culture that is truly development focused.”

- SMG Coach

“Organisations must provide quality development for staff as it is assumed that leadership is innate, but it is not. They need mentoring and coaching.”

- Board Chair/Director

“Investment in one-on-one accelerated leadership development is critical for leadership success.”

- HR/OD/Talent executive

> Summary

The most significant themes that emerged in this research (where more than 50% of participants commented) related to:

- The extent to which leadership and the War on Talent remain a critical business challenge. First used to describe the looming executive and technology talent shortage in 1997, over fifteen years later, 51% of interviewees describe acute skill shortages, increasing labour costs and ineffective leadership styles.
- Agility, flexibility and innovation are the most relevant individual and organisational level competencies required to navigate through the current macro-economic uncertainty, complexity and change. A blend of strategy, agility, authenticity and connection with others lies at the core of required leadership in the post-GFC environment and indicates leadership potential.
- The need for customised leadership development for individuals, teams and organisations, raised by 53% of respondents, is the most important success factor that organisations should provide to support their leaders.

> An Overview of Stephenson Mansell Group

- The Stephenson Mansell Group (SMG) is one of Australia's most established executive development firms. We have been operating for 15 years and, during that time, we have worked with more than 5,000 leaders in 500 organisations. Our clients include 30 of the top 50 ASX listed organisations.
- We have more than 40 coaches, mentors and facilitators in our faculty, with the capacity to deliver Australia-wide and into New Zealand and Asia. We have offices in Sydney, Melbourne, Brisbane and Perth.
- Prior to moving into executive development, many of our team held senior executive roles, and 12 of them are former CEOs/MDs of Australian organisations. Put simply, they have walked in the shoes of their clients.
- Stephenson Mansell has several international affiliations, including The Center for Creative Leadership, Guttman Development Strategies, Inc and The Centre for Coaching (University of Cape Town, South Africa).
- We have developed a reputation for industry thought-leadership in coaching and leadership development. Executive Chair and Founder Virginia Mansell authored the critically-acclaimed book *The Focused Executive* in 2009. The second edition of this book will be available from January 2014, including a new chapter on "Building high-performance teams."
- SMG was also a key member of the Committee established under the auspices of Standards Australia to write Australia's first Handbook on Coaching in Organisations published in 2011.



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