Key issues for managers: 2010

Management Today looks at 10 of the top issues facing business leaders as they prepare for 2010, a period that is already being defined as part of a new world order. By **Bina Brown**.

Global economic health

While few are prepared to call an end to the global financial crisis there is growing consensus that the ongoing impact may not be as bad as it might have been.

However, don't expect business conditions to return to the 'good old days'.

"Understanding that there will be a new world order is going to be the key for leaders," says Patrick Forth, Boston Consulting Group Managing Partner.

Get used to the prospect of lower global economic growth, increased trade and financial protectionism, slowing investment and consumption, re-regulation and increased intervention, greater restrictions on economic and talent migration, and restructuring of industries, including shake-outs and new business models, says Forth.

"At a company level the thinking will be around what you do in terms of lower profit levels, cost reduction, risk management, innovation and refinancing," he says.


John Meacock

John Meacock, Managing Partner NSW of professional services firm Deloitte, voices the view that organisations will need to be both offensive and defensive as they position themselves to get ahead in the coming financial year.

With the US and UK taking a harder hit than China and India, the importance of these countries cannot be ignored, says Meacock.

"Organisations need to recognise the threats and opportunities that are coming from these countries taking strong positions in our industries and also think about the impact it will have on them, as well as major competitors," he says.

Carbon reduction


Chris Wilson

Provided the rest of the world agrees to an ambitious global deal to stabilise levels of greenhouse gases in the atmosphere, the Government has committed to reduce Australia's carbon pollution to 25 per cent below 2000 levels by 2020. Due to begin on 1 July 2011, the Carbon Pollution Reduction Scheme (CPRS) will be the key to achieving this goal.

Chris Wilson, Consulting Partner and Head of Climate Change and Sustainability at Deloitte, says that given the inevitability of a tax on carbon, all organisations should be looking at ways to alleviate the negative impact they are having on the environment, as well as looking for commercial opportunities.

Commercialising technology that may not have been relevant previously, and investing in clean and renewable energy technologies may now become extremely relevant, he says.

Wilson says with compliance a given, the issues to deal with will be where the opportunities are that allow us to get ahead of the game and what impact will the pricing of carbon exposure have on our value.

Dylan Byrne, Sustainability Advisory Services Partner at BDO Kendalls, says forward-thinking managers will be able to see the correlation between recovery and sustainability.

This recovery effort will be partially driven by performance improvement and business efficiency. For example, reduction of inputs like power and water not only reduce the carbon footprint of an organisation, but also increase profitability.

Byrne says organisations impacted by the CPRS should turn their thoughts to efficient management of carbon offsets and permits.

A drop in the price of carbon may present an opportunity to start acquiring carbon credits from domestic and overseas markets.

Regulation

Given the high number of global and domestic inquiries subsequently launched into different aspects of the financial services and banking industries, organisations should be preparing for a raft of regulatory reform, says Sarah Woodhouse, Audit Partner and Financial Services Regulatory Leader at Deloitte.

Regulations around executive pay practices and linking value to risk, the licensing of ratings agencies and the adequacy of the financial services licence framework around financial services companies after the collapse of several organisations are just a few areas where governments are keen to be seen responding to genuine community concerns.

In addition, there are changes to consumer credit legislation, the Henry Tax Review and global outcomes arising from the G20 Leaders Forum and Basel II revisions to be actioned.

"Organisations need to be aware of what is in the pipeline and then look at the impact on all business units. Responses to regulatory change are often done at an issue or functional level but they should be looked at in terms of the broader strategic impact on each organisation," she advises. Woodhouse advocates companies take action now and ensure responsibility for regulatory change is at the CxO (CEO, COO, CFO) level.

Woodhouse says that integrating risk and compliance processes in an organisation also makes


Sarah Woodhouse

sense from a cost and organisational perspective: "Then they should ensure that the team has the right resourcing. Now is not the time to be cutting back on compliance skills," she says.

Data and information

While the contents of a consumer's wallet may hold the key to everything from where and how they like to shop to when and what they like to buy, the question is how


Anthony Viel

that data is being translated into sales or marketing dollars.

The advent of new technology may mean that it has never been easier for organisations to collect and access quality data but it is what they do with the information available that will really count.

Anthony Viel, National Leader of Forensic Data at Deloitte, says executives have run out of excuses not to leverage the data asset that is available to them.

'Process' and 'consider' are two catchwords Viel suggests organisations adopt. He says those who can source the data and analyse it to derive some insight will successfully unlock a vast wealth of information now readily available.

"Organisations need a team that can source the data, analyse it, derive insight and then translate that insight to those people who have to execute upon it," says Viel.

Capital and funding

Access to capital was an issue for all organisations throughout the GFC and could be a while yet before banks return to providing easier credit.

That makes getting on with banks essential and the balance sheet structure between debt and equity essential, says John Meacock, Managing Partner NSW of professional services firm Deloitte.

Where 2009 was about 'shockproofing' balance sheets as companies assessed the strength of their capital base, the result has been unprecedented secondary raisings and revision of debt packages, says Errol Joseph, Leader of Deloitte's Debt Advisory Group.

He adds that inappropriately structured or managed debt and asset financing can pose a significant 'health risk' to an organisation's prospects.

"Businesses will continue to make access to debt a high priority in 2010. Effective debt structuring is essential to ensure funding aligns with the company's medium term objectives," he says.

Joseph believes the corporate governance focus of company boards, the development of financing and associated risk mitigation frameworks, selection of the appropriate funding markets and/or products, and implementation


Errol Joseph

and ongoing assistance with management of funding arrangements will continue to dictate an organisation's need for strategic funding reviews.

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Growth and innovation

Where the boom years made it possible for some organisations to grow without having to put too much effort into understanding who their customer base really was, the GFC has brought home just how important that information is to viability.


Jenny Wilson

A key to future innovation and growth will be understanding customers better, says Deloitte Consulting Partner Jenny Wilson.

"Get smarter about learning about your customers and get granular about it. Don't try to be everything to everyone but own the segment," she says. Wilson says organisations need to mine the data they do have about their customers to better enable them to create the best value proposition for each segment they have identified that they want to own.

Wilson says that as different industry sectors recover from the GFC at different rates there will be different opportunities.

"Identify where the major shifts are happening and look to new product innovation, but make it count. Customers are changing their behaviour. What organisations need to understand is where the opportunities are for them and to act with a sense of urgency rather than complacency," she says.

Trade relations

Having held its own in the worst year for global trade in more than 70 years, Australia remains well positioned to benefit in 2010. According to Australian Trade Commission Chief Economist, Tim Harcourt, 2010 will be the year of the 'bounce back'. "It will be the year of the bamboo shoots, as well as green shoots, and a time when global engagement will really matter in terms of trade, investment and climate change," he says.

Harcourt says Australia's relationship with China will be the most significant factor in the future since Australia has everything China needs in terms of commodities, and also because of China's relationship with the United States, which remains the global economic superpower.

Harcourt says, given the dependence of Australian workers on engagement in trade, exporters should focus on the impact of a possible recession on the labour market, which is where they can really make a difference.


Tim Harcourt

Austrade research shows that exporters are not only better employers than non-exporters in terms of wages, conditions and occupational health and safety, but they also make an important contribution in terms of job security.

As exporters invest more in their workers through education and training, they are more likely to hang on to them during a downturn in order not to lose out on their investment. Employers who lay off quickly tend to struggle when the 'war for talent' heats up in recovery, says Harcourt.


John Blight

M&As

If the theme for the period from mid-2008 to now has been 'batten down the hatches', then the theme for 2010 appears to be 'be prepared', says John Blight, a Director with BDO Kendalls.

There is cautious optimism that 2010 will see the return of M&A activity, which all but dried up during in 2009.

With the impact of the GFC being less significant in Australia than in Europe and the US, coupled with an apparent stabilising of the Australian capital markets and some improvement in the debt markets, Australia should once again see a return of M&A activity in 2010.

Blight says that while highly desirable assets will continue to command a premium, in the 'new world order' sensible pricing and being properly prepared will be the keys to being able to successfully transact.

Important considerations for leaders will be to do your homework, plan out the transaction and determine what the keys are to its successful execution; ensure that you engage experts at an early stage to assist where needed; confirm with stakeholders, such as banks, that they support your plans and make sure you have done adequate due diligence before proceeding.

"Critical to a company's continued success will be ensuring the expectations of stakeholders are properly managed, as company governance practices will be subject to heightened scrutiny," says Blight.

Talent management

A fully engaged workforce with a clear understanding of the organisation and its future direction as the economy improves will be a key issue for leaders in 2010, says Prins Ralston, Group CEO and MD of Employment Services Holdings.

"The global recession caused many businesses to do some soul-searching and get their house in order. The disciplines that helped organisations work through the tough times should continue as the economy improves," Ralston advises.

If staff have been fully informed of the position the business is in and they have a clear understanding of what lies ahead, the organisation is well positioned to emerge from the downturn with a fully engaged workforce, he says.

However, if trust has been weakened through poor communication of the strategy or decisions not clearly explained, there is a risk that when the market turns staff will leave in droves.

Ralston says leaders should communicate directly and honestly with staff to instil a belief and understanding that "they mean what they say".

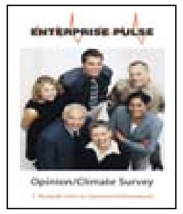
"As businesses prepare for the upturn, leaders also need to ensure staff have the right skills, competencies and experience to avoid the skills shortages of the past," Ralston warns. "Further, as organisations begin to hire again, managers need to look closely at their talent requirements to position the business for growth." He warns there can be a temptation for standards to drift as talent becomes available again.


Prins Ralston

Managers should apply the same rigour and demands that they would have done during the downturn to attract the best people to take the business forward, he says.

Staff survey tools

Enterprise Pulse™ surveys are a simple to use yet extremely rich tool for conducting an analysis of employee opinions. The survey system is currently available in 10 different versions. Contact Management Diagnostics for free access to an Enterprise Pulse survey module on (07) 3227 4816 or diagnosics@aimqld.com.au.



Leadership trends in 2010


Christopher Shen

Where the focus of organisations in this uncertain economic milieu may understandably have related to immediate survival rather than future progress, it is time now for leaders to reverse the trend and look to the future.

Key leadership issues in 2010 will be the renewed focus on performance and include broader initiatives around future needs such as environmental programs or community programs, says organisational psychologist Christopher Shen.

According to Shen, when the focus on future values dissipates, individuals become less resilient and more resistant to the changes that organisations attempt to implement to increase efficiency. Furthermore, employees become less cooperative, which reduces efficiency, and individuals who are usually the most engaged, innovative and effective are more inclined to leave or to withdraw their effort.

To override this issue, managers could offer employees some time, perhaps five hours a week, to pursue some of their future aspirations in the workplace rather than their immediate needs.

"To maintain loyalty and effort, employees need to be granted more access to private information as well as more opportunities to uncover solutions to reduce expenses; an approach that instils a sense of ownership," says Shen.

Shen says that creativity should be embraced to foster a resilient mental state in employees, and employees encouraged to propose unusual and innovative solutions. MT

Bina Brown is a freelance business writer from Sydney.