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The Challenges of Attaining Growth:

The Blenheim & MGSM Insight Series

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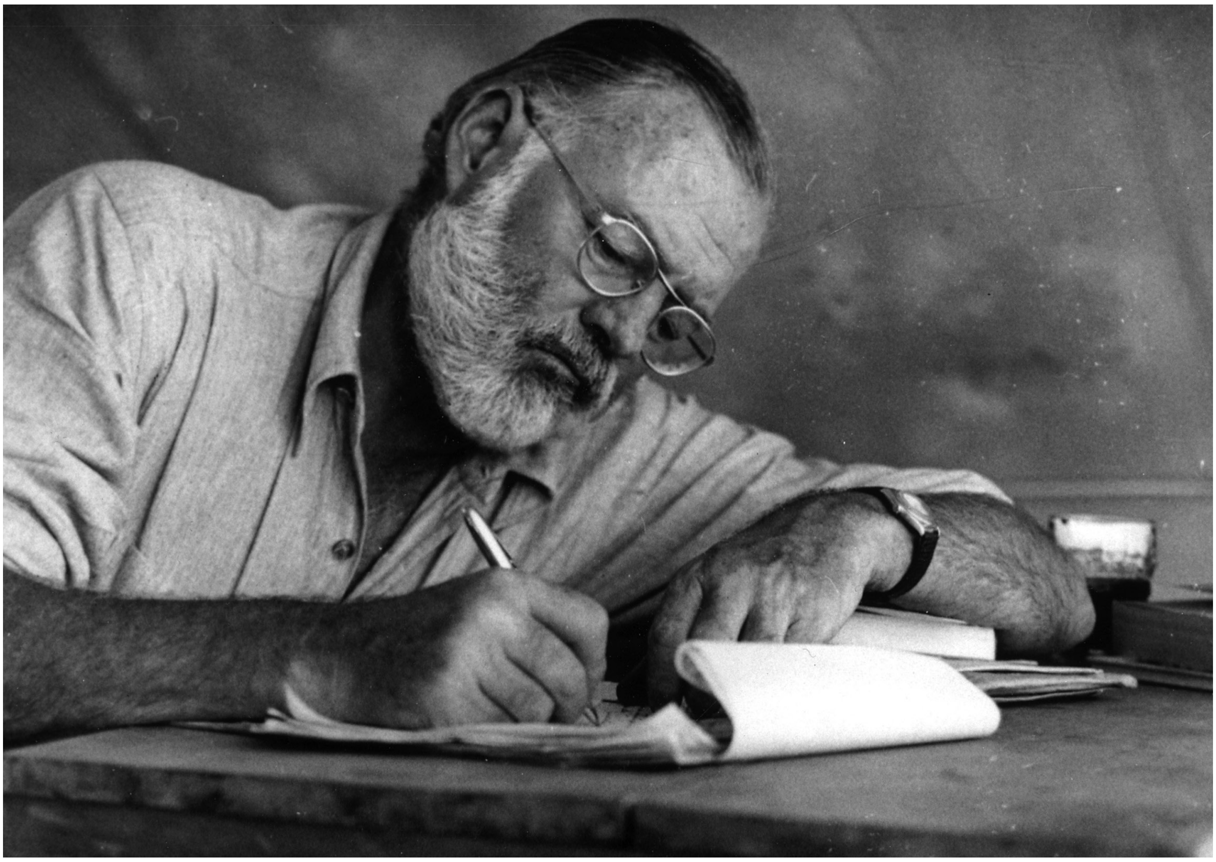
"Superhuman effort isn't worth a damn unless it achieves results"

Sir Ernest Shackleton

INTRODUCTION



"Never mistake motion for action"

Ernest Hemingway

"Weak growth; getting weaker."

A recent article described the Australian economy in the above terms, and projected a low growth rate for 2015[1]. This is a sobering, but not necessarily inaccurate, characterisation of the current state of play. But what is perhaps more striking, after all the depressing charts and figures were presented, is the first on-line comment on this article.

"It's been so long since Australia had a proper recession that 'she'll be right' is in the Aussie mindset about the economy."

The suggestion is obvious. Complacency is at least, in part, to blame for economic performance, and this complacency is deeply ingrained in the Australian mindset.

An industry report by Deloitte[2], canvassing leading Australian CEOs, Chairmen, Directors, and Senior Ministers, seems to agree with the sentiment of this comment, arguing that the ***"Lucky Country"*** has to ***"shun complacency"*** in order to vigilantly uncover growth opportunities. But is complacency really the explanation?

Australian company Directors don't seem to be complacent at all. Instead, the GFC seems to have prompted a change in mindset about what growth actually means. Prior to the GFC, growth was all about "top line" revenue and market share. Then, in the midst of the crisis, everything shifted to cutting costs and divesting of marginal operations. Now as the smoke has cleared, company Directors are talking about "efficient" and "sustainable" growth, and what one report[3] refers to as enduring prosperity. What, exactly, does this new terminology mean and how does this new mindset affect the way company Directors identify and assess strategic growth opportunities?

INTRODUCTION

Part of the answer is, of course, innovation. Australia has a long history of sustaining economic growth via exporting natural resources. This source of economic growth is almost certainly of the "unsustainable" variety. But "innovation" can refer to a lot of things, including new product development, modernising infrastructure, effective approaches to human resource development, and data integration and analytics, among others.

Interestingly, the same report goes on to recommend that:

"Businesses should be allowed to generate wealth for the community and should be free to make profits, they should be regulated efficiently, taxed fairly, and be able to trade and make contracts freely. In return, businesses have a responsibility to act ethically, honestly and transparently with their shareholders, customers and employees and with a focus on long-term wealth creation."[3]

This sounds good as a general set of principles, but how do we assess whether regulatory bodies are acting "efficiently"? How much transparency is optimal? At what point do these kinds of ideals begin to interfere with the ability of Boards and the companies they serve to pursue sustainable, long-term growth?

In addition to notions of sustainability and longer-term thinking, many have suggested that the new economy must urgently promote a sustainable "inclusive capitalism"[4]. But who, exactly, should be included and how? The omission of women in positions of leadership would seem to be an obvious candidate for improving inclusiveness along lines of gender.[5]

But does this narrow definition of "diversity" fully capture what Australian company Boards and even executive teams might be lacking? How can Australian businesses identify the intellectual capital that has been excluded from company Boards in the past, and how is this missing brain power best integrated into the strategic decisions of the firm?

This report attempts to answer, or at least to provide insights into, these and other questions related to the pursuit of growth by Australian company Directors and Chief Executive Officers.

The impetus arose out of a series of discussions that Gregory W. Robinson, Managing Partner of Blenheim Partners had with a number of Australian Directors and Chief Executive Officers as a normal part of business discussions. In these discussions growth seemed to be either front and centre or an underlying theme but without a great deal of clarity as to what it is, how can it be achieved and what can be done to assist in achieving it. Growth is certainly topical, especially given the globalisation of markets, digital disruption and the mature nature of many Australian market sectors. In addition, the topic of growth for Australian businesses, linked to the state of the economy and the flow on effects to Australian jobs and standard of living, all seemed to be constantly talked about by government and business leaders and garner headlines in the media.

Within this context, a subsequent discussion on growth between Gregory Robinson and Malcolm Irving, Chairman of the Macquarie Graduate School of Management (MGSM), led to a decision to conduct this study of Australian Directors and Chief Executives, which focuses on a range of issues around growth for Australian businesses.

This report of the Blenheim and MGSM Insight Series presents the results of this study. It is one of the most significant studies of its kind in Australia, interviewing over 80 Australian business leaders, Chairman, Directors and CEOs, and attempting to distil and put forward the views of Australian business leaders in a concise manner on this important topic. Given it is by business leaders on Australian business, this study is more relevant to the topic and the way forward to achieve growth for businesses in Australia than similar reports that may have been conducted with US, UK or European business leaders within their operating environments and context. The results of the study support the importance and relevance of a local study, highlighting a number of factors specific to the Australian context if businesses in Australia are to achieve sustainable growth into the future.

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