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Executive Search & Board Advisory

THE EMERGENCE OF THE YOUNGER PROFESSIONAL DIRECTOR – IS IT IMPAIRING COMPANY GROWTH?



"Others have seen what is and asked why. I have seen what could be and asked why not!" Pablo Picasso

A recently published Blenheim Partners Paper identified the emergence of a “Young Professional Director” in Australian Boardrooms and the potential issues this presented in terms of growth of Australian companies.

Participants in the study highlighted the trend in this new “professional class” of Directors being appointed to Boards. Characteristics of these Directors tended to be:

1. Lacking C-suite experience;
2. Lacking experience generally;
3. Appointed based on narrow, “demographic” notions of Board diversity; and,

4. Generally younger and less experienced than Board members have traditionally been.

The emergence of the “younger professional Director” was raised on enough occasions by participants to signal that it is a potential concern regarding the conscious or unconscious constraints that it places on decision-making processes in the Boardroom. These constraints will tend to be around willingness to embrace risk. If this is the case then risk aversion and conservatism may become a growing force on Boards as the “Young Professional Director” numbers grow. The concern will be that inherently growth and risk are business partners in themselves and if the risk appetite of a Board is significantly impaired, so too will be the growth prospects considered and approved.

This can very well result in investments in new ventures, M&A and R&D being reduced, pared back, deferred or not approved at all, leading to reduced competitiveness and retardation in the growth of Australian companies. The end result may very well be a question as to the ongoing viability of some of these Australian companies.

Why is this so? Some participants theorised that since many of these new professional Directors may need the money and must sit on multiple Boards to make ends meet, perhaps they can't afford to do anything controversial that might lead to an incident where they might put in jeopardy their Board role or, worse still, future roles. This results in over-concern with personal reputation and risk aversion when it comes to pursuing growth opportunities.

In essence this new breed of “Young Professional Director” were changing the nature of the role of Directors to one of a career, and as one participant in the study put it, “The day we went to career politicians, it became a problem, and the same applies to Directors.”

Some Directors even went so far to as suggest that the personal wealth of potential Directors might be used as a “litmus test” for determining their motivations for joining a Board. From this perspective, only potential Directors with considerable personal wealth gained from their experiences as company executives, investors and the like would qualify as having the right incentives, the courage to take risks, and the capacity to handle the consequences of failure.

“One Chairman said to me just the other day, ‘One of the things I look for when I look at Directors, is do they need the money, because if they really need the money, it's not the right job for them’.”

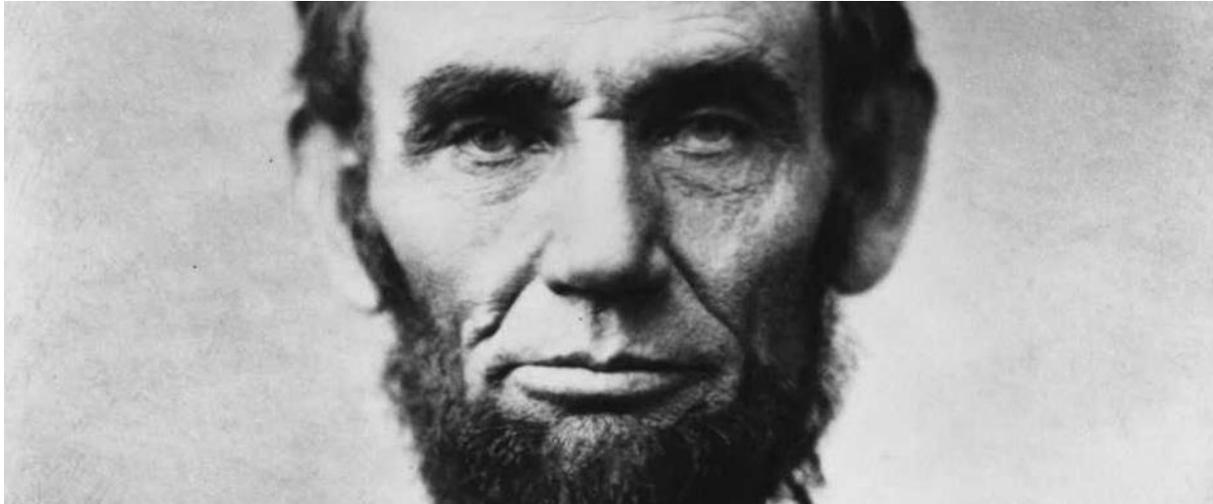
But there were some dissenting views on whether all Board Directors should have Executive experience, and whether this new breed of younger, professional Directors is necessarily a bad thing. For example it would be likely that the younger Director would be more knowledgeable of digital and social media than would be the older more traditional Director, an emerging requirement for company growth and success.

This does not mean that new or emerging Directors should be excluded from Board. Far from it because how else do they become a Director to start their career. There is room for “learners” on Boards and Boards should have the capacity to bring on such a person, young or otherwise. “What is essential is that the appropriate due diligence in the recruitment and selection process is performed

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on the potential new Board members to ascertain drivers and motivations of the individual to join the Board. Such a process will reduce many of the risks and concerns highlighted above” said Gregory Robinson, Managing Partner of Blenheim Partners.

WHAT DO YOU SAY WHEN ASKED 'WHY ARE YOU IN BETWEEN ROLES?'



"Always bear in mind your own resolution to succeed is more important than any other" Abraham Lincoln

There could be numerous reasons why you are in between roles. Whatever they are, your answer will be listened to very carefully. Honesty and integrity is important and will be recognised and verified by the executive search consultant during the interview.

Rarely is the question asked in such a manner, but it will be elicited in some form so be prepared to provide an appropriate response.

In a world that is forever restructuring, there is little surprise to the answer of a redundancy. If alternatively you have been dismissed, chances are it has come down to personality clash or a disagreement of values. Whatever the reason is, present a confident answer in the interview. Search consultants will sometimes already know the answer before you meet them or will follow up with industry sources to confirm your reply.

The second part of the question will tend to be around what did you learn from the experience, and the third part relates to what have you been doing with your time.

They are important questions to help understand:

- What is your state of mind?
- What is your level of confidence?
- What is your level of motivation?
- How do you respond to adversity or ambiguity?
- How have you been utilising your network and what is your preparedness to think laterally?

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- What have you been doing with your time in between roles?
- What plans have you put in place to succeed in the next role or next venture? □ How do you think and when do you actually take the time to think?
- Do you observe? Do you review?
- Can you take on board constructive criticism?
- What is your level of curiosity, your willingness to engage?; and,

Other questions may include:

- How have you structured your day?
- How do you feel you are perceived?
- Have you exhausted all avenues in pursuit of your next role?
- Do you wish to remain in the same industry or role?
- Would you consider offshore opportunities?
- What have you ruled in or out?
- What is your scorched earth policy?

Gregory Robinson, Managing Partner, “Executive search consultants need to have a clear picture of the candidate, and therefore, it is best to make the engagement easy. Prepare for the question, as you will get asked it in one form or another. Your verbal and non-verbal response will be assessed and referenced. Many people underestimate the necessity to practise and keep practising for interviews and the value that it brings.”

CAN I GET A HR DIRECTOR WHO HAS HAD OPERATIONS EXPERIENCE – THAT WILL BE DIVERSITY OF THOUGHT



" Nothing pains some people more than having to think " Martin Luther King, Jr.

I was reflecting recently on a meeting I had some time ago with a Chief Executive Officer (CEO) where we talked through the requirements to conduct a search for a Head of Human Resources.

The CEO outlined a significant transformation plan for the business that included a heavy weighting on business improvement and innovation to help the company compete in global markets. The CEO was clear in their vision and articulated a well thought out plan that had the endorsement of the Board and the support of the executive team.

The CEO, who had extensive international experience, made it very clear that change was on its way and that standards were going to improve significantly. They then discussed how they needed to appoint a HR Director to help with the transformation. They said the HR role was vital to the success of the company and in supporting the change. Therefore hiring the right person was critical.

They had already met with some of our competitor search firms and wanted an assurance that for such a role they could partner with a company with few to zero off limits. They needed to source candidates from the full market, not just a subset of the market that the search firm could access. They did not want to miss out on acquiring the best talent because of conflicts. We gave the CEO that assurance.

The CEO then said the following, "Can I get a HR Director with operations experience? That will be diversity of thought! I have looked at the market and there seem to be very few HR Directors who have actually had P&L experience – I want someone who has been there and done it and can relate to and genuinely support the business leaders implementing the change. Your competitors talked through HR executives who have only ever been in HR. I worry that this production line of creating

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support people with only support backgrounds cannot deliver what I want. Jack Welch's HRD was always an executive who moved into HR from an executive role. They were able to provide Jack and his executive team the cut through he needed to get the job done. Jack also said if your CFO is more important than your Head of HR, you are nuts." It was an interesting discussion as the CEO was a person on a mission and Rome was burning.

After two hours of learning about each executive's role the CEO said: "So you can see why I value the HR role, but not in terms of peripheral support but robust engagement". We then discussed the title of the role. The CEO said "Human Resources Director ... pretty simple, I am not having the title of Head of People and Culture ... since when has HR led the People or the Culture? That's my role, that's what I am paid for. I have shareholders who are paying me to get them the very best, and that's what I want and just so you are clear I am not fussed if the person is male, female, green or blue as long as they can deliver. I don't care if they are over 55 or 45 as long as they can deliver. What I want is someone who has the ability to think, make decisions and has the courage to make the tough calls. That is diversity, diversity of thought and judgement is what is needed. This will not be an easy assignment because I want the search firm to also think and not serve me up the obvious and politically correct names. We have a lot of peoples' futures at stake here, and I want the best".

I thought it was an interesting meeting at the time and since. It raises many questions regarding how companies are thinking through their appointments compared to this CEO. This CEO was determined that experience was key and the best candidate in the market was essential. The successful candidate would have to bring a background of diverse experience covering industry, P&L, international and turnaround experience.

The postscript is that the CEO made the decision with the shareholders and their employees' interests at heart. The CEO did not waiver. The CEO, who will remain nameless, had an impressive track record of success, was prepared to be the contrarian but firmly believed in surrounding themselves with people with different backgrounds, experiences and personalities. Importantly they held the HR Director role in incredibly high regard but felt that HR Directors that came with operations or P&L experience brought more to the business. This was a CEO thinking deeply about the market dynamics, the frail situation of the company and what they felt was needed to succeed. It would be fair to say that the CEO delivered, the HR Director delivered and whilst elements of the transformation were painful, the business has since flourished and the individuals involved have gone on to bigger and better things.

I have remained in touch with the CEO and appreciate that this person was prepared to not follow the stream of consensus. I learnt many things from this experience, but two stood out for me. Firstly that diversity is essential, but it has a broader definition than is generally held in this country, encompassing a range of factors that can include skillsets, exposures, international, local industry or non-industry experience to name just a few. The second thing that struck me was the need for the alignment of our education and training practices to develop individuals so that they can better perform in their roles. Regarding HR, it makes one question how specialised degrees that produce HR graduates that stay within the HR stream with no exposure to what this CEO would call the business, can actually add any value! To change this, early career HR professionals and the companies they work for may need to consider placements in revenue and operating business units

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outside of HR to bring the operational and pragmatic experience that deliver what the CEO above is looking for in a future HR Director.

As a HR Professional, it would seem that if the opportunity arises for operational business unit experience, seize it. It may help you in your HR career, as well as open other potential leadership roles in your business.

IS FEAR OF FAILURE PROMOTING SLOW PLODDING GROWTH IN OUR COMPANIES?

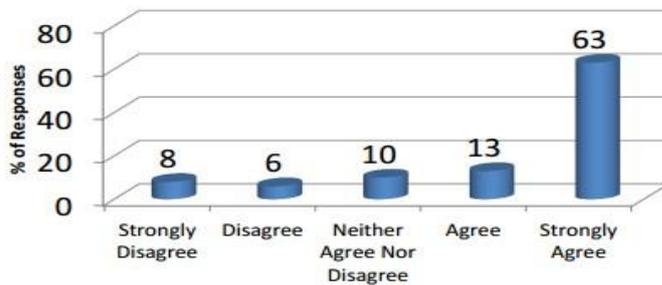


"No crime is so great as daring to excel" Sir Winston Churchill

A recently published Blenheim Partners Paper highlights that the lack of acceptance of failure as a legitimate means of learning, development and refinement may be dampening the appetite for ambitious growth in Australian companies.

In the Figure below the responses are highly skewed with 76% of responses either Agree or Strongly Agree with the view that in Australia we are far tougher on failure and the way it is considered, treated and remembered in this country compared with other countries. It was highlighted by some participants that corporate Australia is a small place and that there is nowhere to hide, hence providing some explanation as to this fear of failure.

Figure: Participant Responses as a Percentage to the Question "In many countries failure is accepted as a learning and pathway to growth. In your experience, do you believe this view is **"not accepted"** in Australia?"



It was also presented by the participants that fear of failure was not only limited to the Non-Executive Directors but it was set in at C-level management. There is a real concern of leadership

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taking the middle ground as opposed to stretching the business to achieve outperformance in terms of growth.

Participants noted that many Directors have incentives to take the safe route if they want to hold onto their positions. Slow, plodding growth minimises the risk of failure and will allow them to keep their Board positions and indeed pursue future Board positions. However, one mistake in the pursuit of major growth opportunity could impair their reputation and put at jeopardy future Board positions.

The following quotes highlight this:

“...it’s safer, in dealing with public companies, to do nothing than to take aggressive positioning because you don’t get fired for making a mistake that way, the status quo is business as usual.”

“For Directors there is very little incentive to stick your neck out.”

“The current position where ‘people are frightened to take a punt’ would appear to be unsustainable as it, among other things, stifles innovation, a key building block of competitiveness” said Gregory Robinson, Managing Partner of Blenheim Partners.

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TOP KEY BOARD AND EXECUTIVE MOVEMENTS IN AUSTRALIA 28th AUGUST – 1st SEPTEMBER 2017



" Never interrupt someone doing what you said couldn't be done " Amelia Earhart

- Abacus Property Group: Jingmin Qian has been appointed as Non-Executive Director, effective late September. Steven Sewell has been appointed as Chief Investment Officer and Head of Strategy, effective early October.
- Australian Vintage Ltd: Perry Gunner has retired from his role as a Non-Executive Director and leaves the Company on 30 August 2017.
- Beadell Resource Ltd: Glen Masterman has resigned from the Board of Directors and takes effect on 31 August 2017.
- Boart Longyear Ltd: Effective Today, Deborah O'Toole, Bret Clayton, Peter Day, Jeffrey Long, Rex McLennan and Conor Tochilin have all retired from the Board. Lawrence First, Jason Ireland, Matthew Sheahan and Robert Smith have all been appointed Non-Executive Directors. Changes are effective on 1 September 2017.
- Data#3 Ltd: Mark Gray has been appointed as a Non-Executive Director.
- G8 Education Ltd: Julie Cugin and Margaret Zabel have both been appointed as Non-Executive Directors effective 1 September 2017. Matthew Reynolds will be retiring as a Non-Executive Director, effective 31 August 2017.
- Millennium Minerals Ltd: Stacey Apostolou has been appointed as Chief Financial Officer and Company Secretary on a contract basis, effective 1 September 2017. Stacey's appointment follows Richard Hills departure from the same role.
- Nvoi Ltd: Timothy Ebbeck has resigned as a Non-Executive Director, effective 31 August 2017.

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- Qantas Airways Ltd: Qantas has announced a change in its structure with Lesley Grant appointed Group Executive of People and Culture, following Jon Scriven's retirement, Jayne Hrdlicka has been appointed as Chief Executive Officer, Qantas Loyalty and Digital Ventures including innovation. Gareth Evans has been appointed as Chief Executive Officer of Jetstar Group, Alison Webster has been appointed as Chief Executive Officer of Qantas International, Olivia Wirth will take on responsibility for Customer and Digital Strategy, in a new role of Chief Customer Officer. Andrew Finch will take on responsibility for office of the Chief Executive Officer in addition to his current responsibilities as General Counsel and Company Secretary and current Chief Executive Officer, Qantas Domestic, will also assume responsibility for Qantas Freight, Catering and Airports.
- Slater and Gordon Group Ltd: Group Chief Financial Officer, Bryce Houghton, will be stepping down from his role effective 15 November 2017.
- The Pas Group: Matthew Durbin resigned as Chief Financial and Operations Officer.
- Thorn Group Ltd: Tim Luce has been appointed as Managing Director and Chief Executive Officer, effective 1 March 2018.
- Treasury Wine Estates Ltd: Non-Executive Directors Lyndsey Cattermole and Peter Hearl will both be retiring from the Board with Lyndsey retiring on 18 October 2017 and Peter on 31 August 2017.

TOP TECHNOLOGY EXECUTIVE MOVEMENTS 28th AUGUST – 1st SEPTEMBER 2017

- NSW Department of Family and Community Services: Sarma Rajamaran has been appointed as Chief Information Officer.
- Victorian Government: Sven Bluemmel has been appointed as Information Commissioner.

*Information provided by Blenheim Partners Executive Search and Board Advisory Firm,
www.blenheimpartners.com.*

Blenheim Partners specialise in:

- Executive Search;
- Non-Executive Director Search;
- Board Strategy and Structure Consulting;
- External Succession Planning; and
- Executive Re-Engagement / Transition.

Founded in 2012, our team have acted as specialist adviser to many of the world's leading corporations on Board and Executive performance, capability and succession planning.

Our consultants have worked with clients from all sectors and a broad range of geographies. They include over 80 of the ASX 100, 10% of the FTSE 100, Private Equity, Multinational, Private Family and Mutually Owned Companies.

Our work includes assignments that are both local and international in scope.

Our team consists of senior Search Consultants, Human Resource Directors,

Psychologists, Coaches and exceptionally experienced Researchers.

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Our philosophy is to develop deep and committed relationships with a select number of clients and help them deliver a superior performance by optimising the composition of their Board and Executive team.

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