Managers ‘failing to adapt’ to society’s changing ways

THE AUSTRALIAN

MARCH 19, 2015 12:00AM

Andrew Main

Senior Business Reporter
Sydney

Boards must be more nimble, collaborative and embrace uncertainty, say some advisory experts.*Source:* Supplied

MANAGEMENT styles in Australia have changed because not only have companies altered what they do and the way they do it, but society’s changed too, says Greg Cooper, who has spent years - investing in companies as a fund manager.

He’s been at Schroders Australia since 2000, where he is now chief executive for Schroder Investment Management Australia, and is also the chairman of the Financial Services Council.

“We’ve had changes in the workforce in Australia where we’ve had relatively low unemployment and there’s been a tilt away from manufacturing towards service businesses,’’ he said.

All of which leaves big manufacturing businesses like Orica, which makes mining explosives, moving from being the norm to the exception in the way corporate management is evolving. And while experts such as Mr Cooper won’t comment on the Orica situation, they suggest that management styles in some industries have lagged behind the way society is changing, and that Ian Smith’s exit from Orica is a symptom of the clash between the new and the old way of doing things, rather than a one-off.

Cassandra Kelly, joint chair of advisory business Pottinger in Sydney, is less optimistic about the adequacy and speed of the changes that are occurring.

“Australia has a long way to go in developing managers and corporate boards who are able to deal with the unprecedented rate of change we are going through,’’ she said.

“We’ve had a particular style of management that we’ve held onto for a long time and it’s no longer serving us well.”

She declined to discuss specifics but made clear that for instance the gender imbalance in manufacturing and mining companies is much greater than in the more recently created service companies, and that many of the older industries have boards where years of experience are prized above flexibility and the ability to confront new challenges.

“Board members choose chief executives so it’s not surprising that they choose CEOs with whom they are more familiar,” Ms Kelly said. “Change inside companies is coming at a glacial pace even though we don’t have the luxury of going slowly because there are many, many executives whose use-by date has passed.

“We are now living in a world where managements and boards have to be more nimble and collaborative and curious, because we are in an environment where companies have to embrace uncertainty.’’

She said the fact that Australia avoided the worst effects of the global financial crisis had actually worked to our disadvantage, because companies were under less pressure to change and managements had become more risk averse. “People want to hang on to the status quo, doing things the same way and when you keep doing that, you keep getting the same outcomes.

“It seems strange to say this but in Australia the GFC didn’t cut deep enough. Companies in Australia haven’t had to do the hard yards in the way that companies in the US have been forced to do,’’ she said.