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DISCUSSION-OPINION-EDITORIAL™

Leadership: How not to kill the giant public mining companies (Part-II)

Giant public mining companies in India and elsewhere are facing various existential crisis and some of the challenges to the crisis are:

1. Resource depletion.
2. Expensive mining.
3. Talent shortage.
4. High public pressure and poor public perception regarding the environments, social concerns and profit making.
5. Low speed of digitalization.
6. Poor managerial skill vis a vis operational skills
7. Poor public communication.
8. Political intervention.
9. Political appointments.
10. Poor overall image.

Performance agenda

Their leaders are however under intense pressure to rapidly deliver better performance for their constituents at an acceptable low cost—in the midst of uncertainty and unprecedented technological change. And equity investors are becoming more and more restless. Leaders are most successful when they tackle both performance and organizational health.

Aspirational goals

When leaders set goals that are aspirational – those that seek to achieve an organization's full potential – performance gains are higher. Bold goals set using internal and external performance benchmarks force organizations to think differently and inspirationally and to move beyond the normal incrementalism that marks yearly budget planning or strategy setting. Once set, these aspirational goals can be shared widely and transparently across the organization – at employee town-hall meetings, in senior-leadership meetings, and on message boards and computer screens throughout the office – to increase buy-in and translate to clear and measurable bench-marks for all staff. Top leaders should also genuinely commit themselves and their organizations to achieving the targets.

Portfolio balancing of pragmatic initiatives. Aspirational goals will guide the changes to come. The best transformations provide opportunities for hundreds of people across the organization to identify and implement concrete performance improvements. Initiatives will help achieve the aspirational goals and can be filtered based on priority – what should we accomplish this quarter? What can we push to next quarter to ensure our focus remains on the top priorities? – and then tied to initiative owners who will drive them to completion. Senior leaders can then commit to supporting initiative owners as sponsors who remove roadblocks and coaches who expedite decision making.

Execution drive

Leaders can set a series of regularly scheduled meetings, weekly or monthly, to focus on reviewing performance and results, taking care to go beyond progress on activities. This engine provides a regular and open channel for teams to elevate key issues, get to the heart of problems, and build a forum for low-stakes dialogue. The most successful organizations have a regular rhythm to these meetings and focus on reviewing whether teams are achieving results, what can be done to move faster and work more effectively, and what barriers need to be removed.

CEO turnover

In the scenario when the government's administrative control is going to the hands of public and private investors, the life of a CEO is one of between penalty and reward. The life of a CEO depends on the performance and ethical behaviour. The life of a CEO is determined by CEO turnover. CEO turnover is known as the percentage of how many CEOs got changed in

a year to how many CEOs are there in an industry.

Despite disruption, intense competition and eager investors, the median tenure within the group is 14 years with these long serving CEOs who also have better performance, and are less likely to be forced out than not long serving CEOs. By region, North American CEOs hold a significant margin in the probability of becoming a long term CEO at 30 per cent, followed by Western Europe at 19 per cent, Japan and the BRI countries (Brazil, Russia and India) at nine per cent and China at seven per cent.CEO turnover ranges from 9 and 14 per cent per year, globally. CEO turnover is inversely proportional to performance (CEOs who underperform are more likely to be terminated.). However, CEO turnover is not very sensitive to performance. (Termination rates for CEOs who underperform are not much higher than those for CEOs who outperform.)

Successors to long serving CEOs are not faring as well as they are likely to have shorter tenures, worse performance and more often forced out of office than the CEOs they replaced. Nearly half of successor CEOs moved down a performance quartile or more as compared to their predecessors. 69 per cent of successors who replaced a long serving CEO in the top performance quartile ended up in the bottom two performance quartiles.

CEO turnover is a means to link management to the creation of shareholder value. CEOs who depart for performance-related reasons generate poor returns for shareholders.

1. All CEOs perform better during the first half of their tenure. Since chief executives deliver significantly higher returns for shareholders during the first half of their time in office, we anticipate more pressure from shareholders and boards for more frequent changes.
2. The public is increasingly demanding that CEOs bear responsibility for their company's problems. The concern in the United States and Europe that CEOs are violating public trust, as symbolized by Enron, is spawning changes in corporate governance that will increase CEO turnover.
3. Many experienced CEOs are available to run companies. The combination of shorter tenures and the younger age of CEOs at ascension creates a pool of experienced former CEOs available for boards who want to replace a company leader. Many retired CEOs who are still in their 50s – including those who departed following a merger, those who performed well for shareholders during much of their tenure, and those who were beset by bad luck – remain credible candidates to be CEOs of other public companies. When supply and demand coincide, markets are created.

In Homer's Iliad, Achilles is offered the choice between a short, glorious life and a long, unremarkable one. Today's chief executives face a starker world. They have no choice: They must be remarkable. Otherwise, their professional lives will be short. Some evidence exists that companies with strong governance are more likely to terminate an underperforming CEO:

1. Boards that are not "busy",
2. Boards with high percentage of outside directors,
3. Directors own large percentage of shares,
4. Shareholder base concentrated among handful of institutions.

Shareholders react positively to news that under performing CEO is terminated and replaced with outsider. Evidence is consistent with the theory that independent oversight reduces agency costs and management entrenchment.

In the government

Organizational challenges within government are, much like performance challenges, both many and varied, especially in large agencies with regulatory environments. Leadership turnover is more frequent due to political cycles. Public servants often fear that they are more likely to be penalized for failure than rewarded for innovation and, as a result, the culture in public agencies can be risk averse. Attracting and retaining top talent can be onerous, with a lengthy process that's time consuming for both applicants and those hiring them, application systems can be clunky and difficult to navigate, and the public sector may not seem as attractive to potential applicants. Furthermore, leaders often work with the team to which they are assigned rather than overhauling or building their team from scratch. As a result, making structural changes to drive cultural change can feel close to impossible.

That's why realizing organizational challenges from the beginning is so crucial. Private-sector companies with top-quartile scores on organizational health create total returns to shareholders that are, on average, 3 times greater than those of their peers. Organizational health also matters in the public sector, albeit not with respect to financial returns. Surveys indicate that more than 82 per cent of public-sector organizations have below-average organizational health when compared to all organizations (both public and private sectors) and show particular challenges in the areas of culture, coordination, and capabilities.

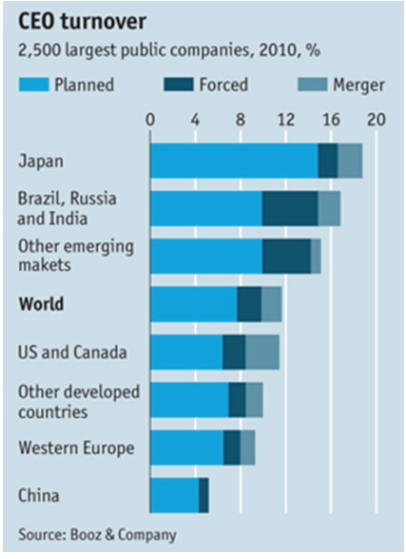
Way forward

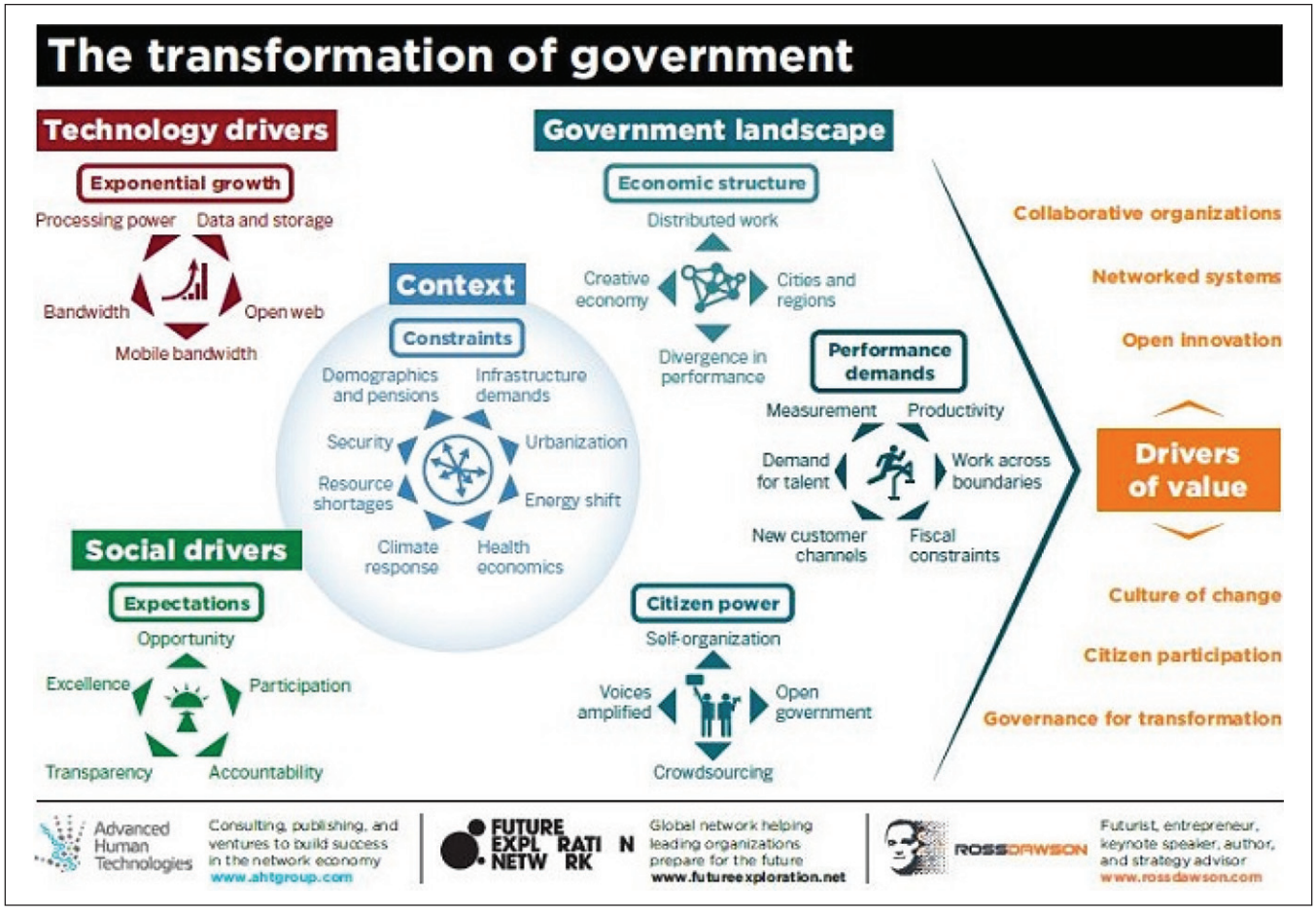
Financially healthy, culturally strong and sound government agencies are better able to adapt quickly to citizens' needs and therefore provide services in a more timely and efficient manner. A rigorous focus on an organization's overall health can be embedded through several key actions by senior leadership, the transformation team, and transformation leaders. Together, the following series of actions can help embed a continuous transformation mindset into the culture

and mobilize leaders toward a quest for a healthier organization.

- Set discipline and flexibility Leaders can measure and track progress using an organizational-health baseline to define the organization's current state. A baseline might typically include the dimensions such as direction, accountability, leadership, motivation, capabilities, culture, and innovation, which leaders can track throughout the year to monitor progress. Leaders who do not measure against the baseline may believe their organization has progressed simply because they have implemented certain initiatives, but they will not know if the initiatives had a positive effect on the organization. A new recruiting programme that does not increase the number of people recruited, for example, cannot be considered successful simply due to the fact of its existence.
- Genuine commitment from senior leadership. Senior leadership can address how the organization is tackling organizational health and recognize that doing so is an essential aspect of improving performance. Leaders can use a variety of methods to communicate the aspirational goal and their level of commitment to it, such as town halls, employee emails, message boards and computer screens, and postings in breakrooms and cafes. All messages should be brief and to the point, reinforcing a set of shared common messages developed by leadership but communicated by senior leaders. Senior leaders can also talk about their personal connection to these goals to demonstrate their commitment. For example: "As a prior front¬line manager, it is important for me to measure our baseline and test how motivated our frontline supervisors are feeling, since they're the core of our organization, and then enact ways to improve on that baseline" or "I remember feeling that leadership never listened to me, so I am making a personal commitment to listen to our front line." These personal connections will not only demonstrate the leader's commitment to the transformation but also inspire the employees to believe in it.
- Be explicit in the 'from–to' changes that the organization is seeking to embed in the culture. For example, leaders can state that the organization will go from being internally to externally focused, from reactive to proactive, or from micromanaging to empowering. Being explicit about the specific behaviour changes envisioned helps others to understand, enact, and reinforce the desired behaviours, and also provides terminology to help identify when those behaviours are not happening or when to nudge behaviour in the right direction.
- Embed organizational health in performance initiatives. When launching a performance initiative, leaders should consider how to include health aspects within that initiative, as health is often neglected in the drive to execution. For example, if the initiative centers around improving a process, leaders can implement a biweekly survey on team health that asks questions about whether work–life balance is sustainable, whether the team feels motivated, and what improvements could be made to the culture, in addition to performance questions about how to improve the process and efficiency.
- Launch robust capability building across varying levels of staff. Such an approach can build the change-management and execution skills of everyone working on the transformation programme and establish new or improved functional capabilities, including digital, customer experience, and procurement. Staff may buy into the aspirational goals but not yet have the skills to drive toward their execution. Various forums, including workshops, online learning, and pilot testing, can help staff learn and practice skills in an open learning environment – as well as provide an opportunity for a new experience, even if it is not a successful one – and then apply the lessons learned from that experience.

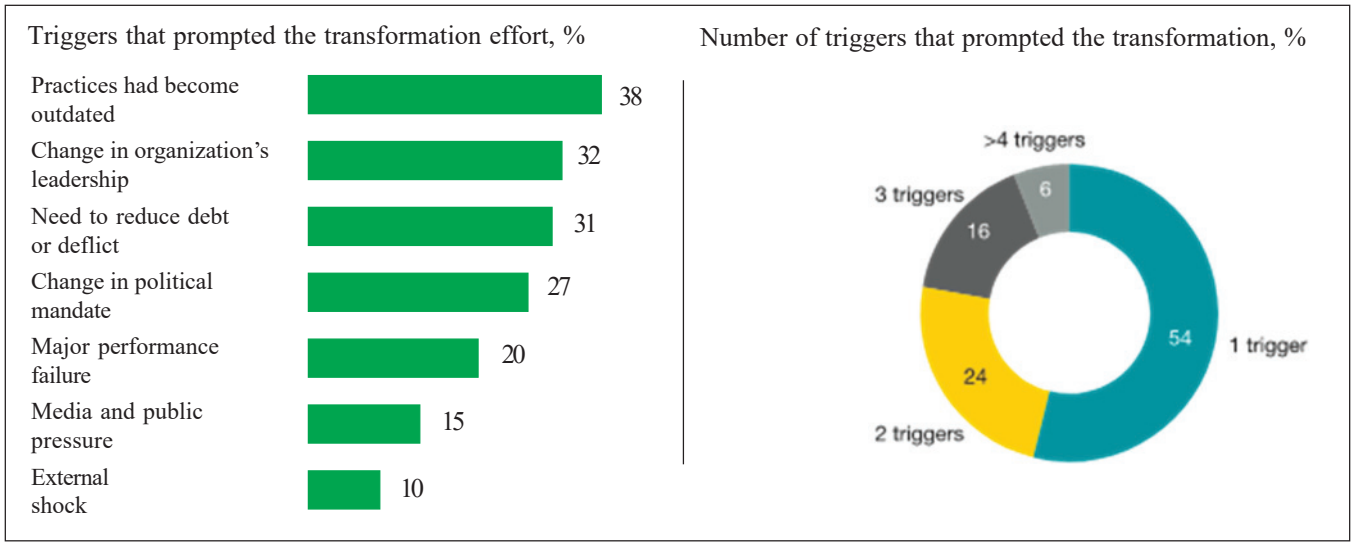
CEO succession and turnover





Source Acknowledgement:
Elements of a successful government transformation, July 9, 2018 | Article.McKinsey
https://www.mckinsey.com/industries/public-and-social-sector/our-insights/elements-of-a-successful-government-transformation

Almost half of all public-sector transformations had more than one trigger



Data weighted by 2016 share of GDP among the countries surveyed (current prices, purchasing-power parity adjusted): unweighted total number of respondents = 2,909.

McKinsey&Company | Source: McKinsey Center for Government Transformation Survey, December 2017