

# The Board, CEO & Exec's Roles & Responsibilities In Strategically Transforming Their Organisation



*...The Principles, Practicalities & Processes Of  
Transforming Your Organisation,  
Re-engineering Your Business Model  
& Reinventing Your Culture*



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# Acknowledgements

- ◆ In presenting this information I acknowledge that:
  - \* directors, chief executive officers and executives either have commenced, are in the process of, or need to commence transforming their organisation, re-engineering their business model and reinventing their culture
  - \* each board, chief executive officer and executive and their respective organisations operate within different frameworks consisting of legislation/regulation, standards/accreditations, contracts/service agreements and legal entities/constitutions, visions/philosophy, strategy/business model etc
  - \* the journey of strategically transforming one's organisation will vary from one board and chief executive officer to another because strategies will be different
  - \* this presentation provides a broad overview of strategic organisational transformation, therefore specialist strategic transformation advice should be sought when and where required.

# What Are The Objectives Of This Masterclass?

- ◆ To provide the opportunity for directors, chief executive officers and executives to gain new or enhanced understandings and engage in conversations about:
  - \* their specific governance and leadership roles and responsibilities in initiating and leading the strategic transformation of their organisation, the re-engineering of their business model and the reinvention of their culture.
  - \* the realities and practicalities of a strategic transformation project, its principles and practices, the steps and activities, processes and tools.

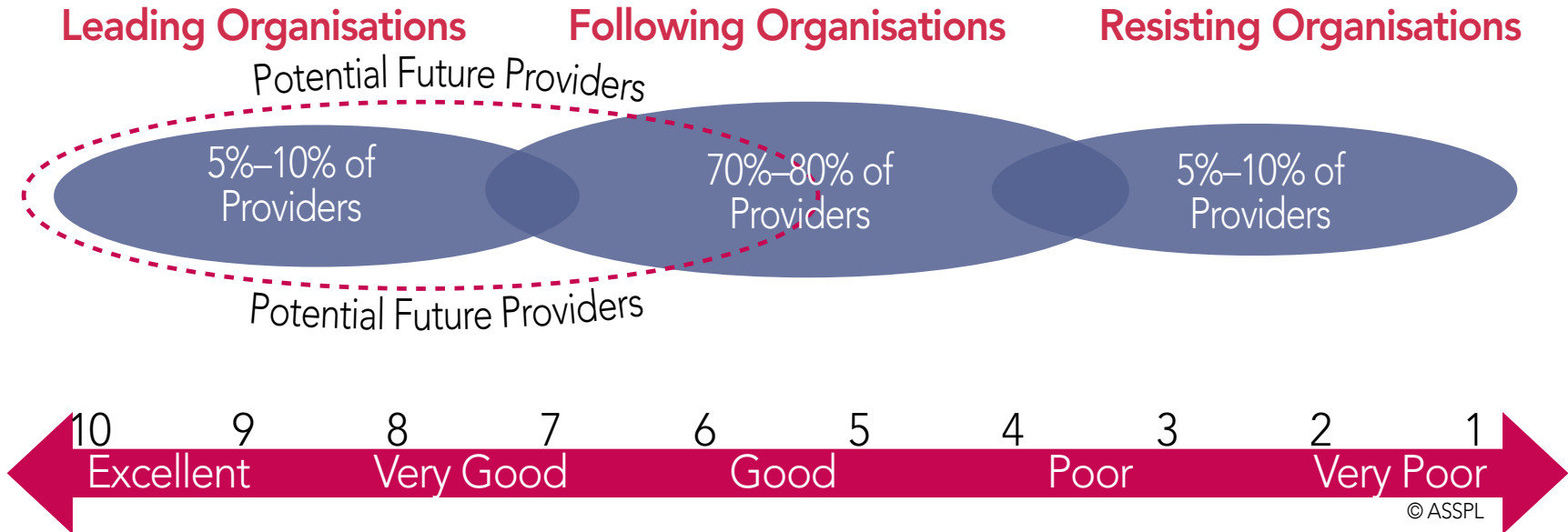


# Part One: A Reality Check, What Does A Strategic Assessment Of Your Organisation Tell You?



# A Strategic Assessment, A Reality Check

- ◆ Q1: Considering all governance, organisational and service components and processes of your organisation...is it a leading, following or resisting organisation today and what should it be tomorrow?

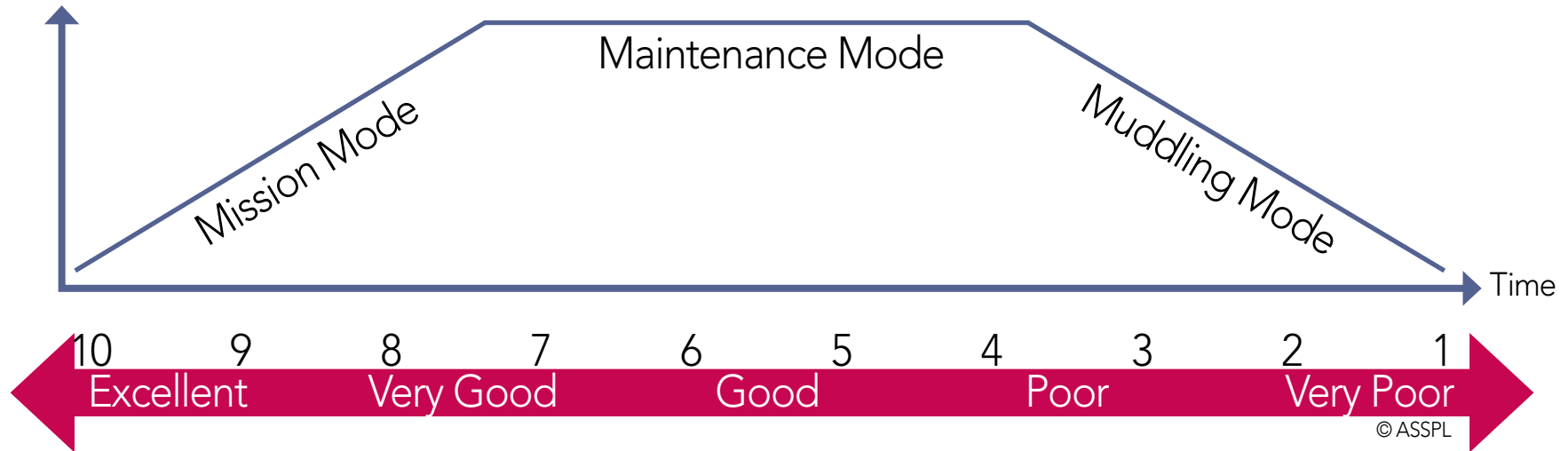




# A Strategic Assessment, A Reality Check

- ◆ Q2: Reflecting on the governance and organisational strategy, structure, systems and service components of your organisation...is your organisation in mission mode, maintenance mode or muddling mode today and what should it be in tomorrow?

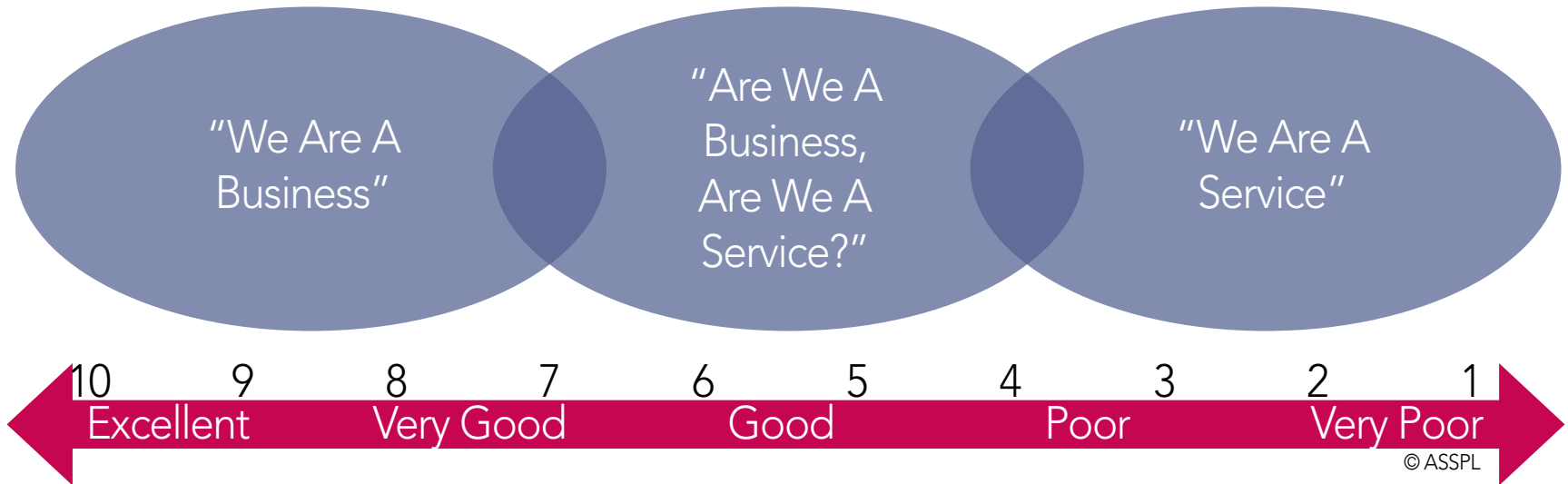
Strategic Position





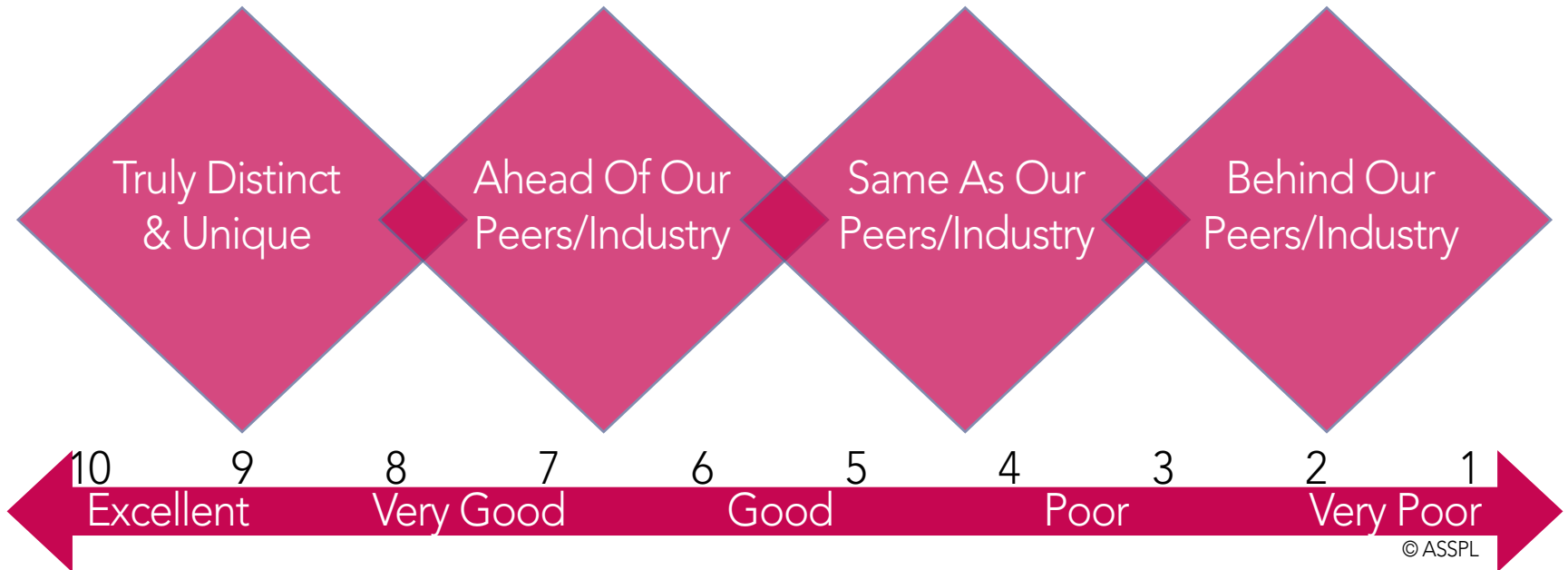
# A Strategic Assessment, A Reality Check

- ◆ Q3: How do your board, chief executive officer, senior managers/managers and staff describe your organisation today and how should they describe it tomorrow...  
"we are a business, therein operating an integrated set of services", questioning,  
"are we a business, are we a service" or "we are a service"?



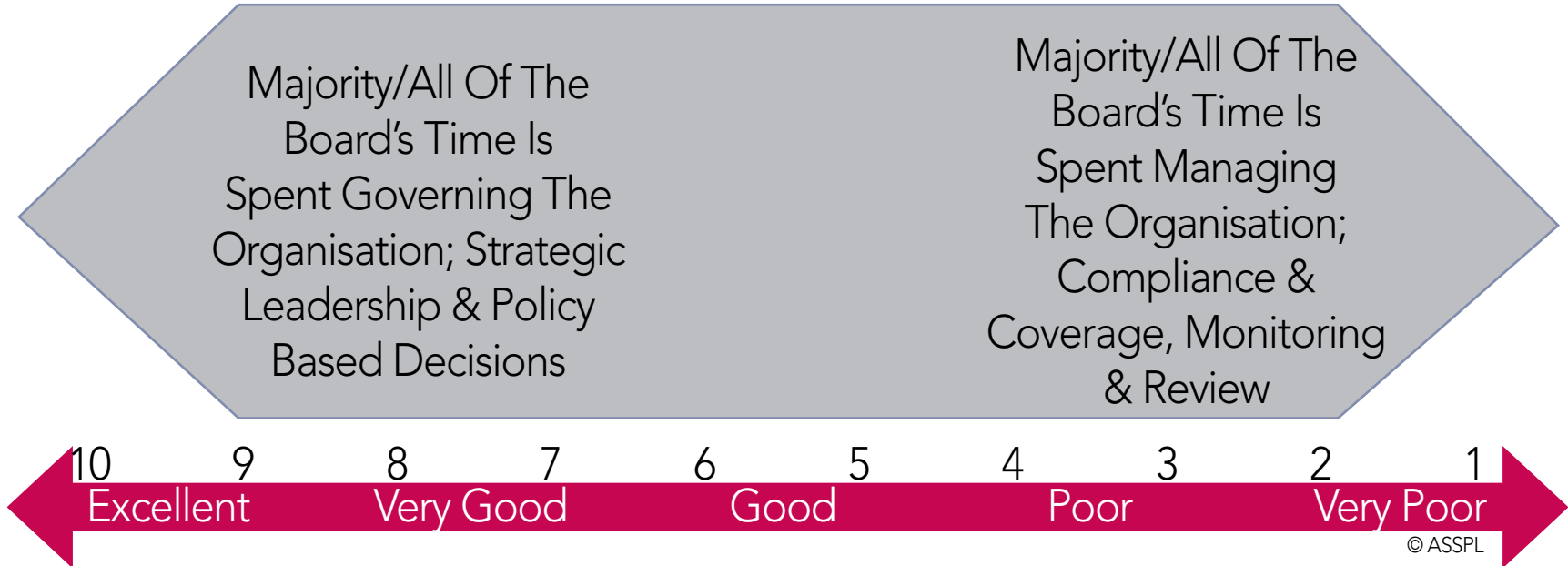
# A Strategic Assessment, A Reality Check

- ◆ Q4: Today, is your organisation truly distinct and unique, ahead of your peers/industry, the same as your peers/industry or behind your peers/industry and where should it be tomorrow?



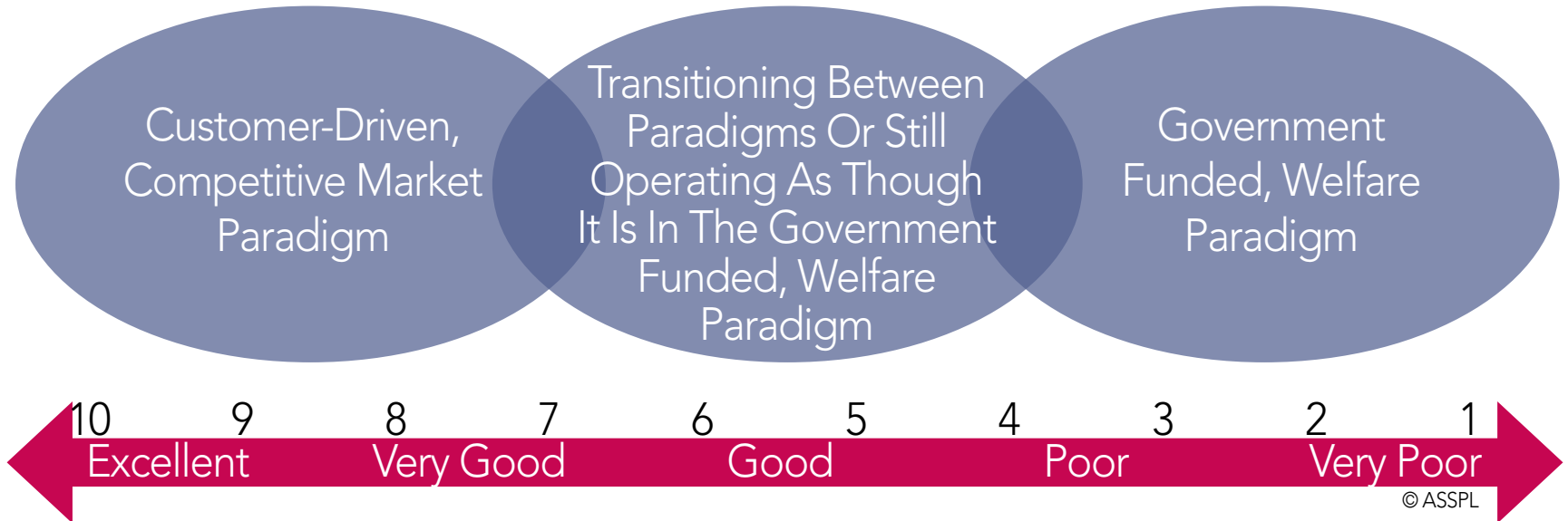
# A Strategic Assessment, A Reality Check

- ◆ Q5: Today, is your board governing and leading your organisation that is, 65%–75% of their time is proactive, focused on strategic leadership decisions, or 75%–85% of their time is focused in the business, not on the business and what of tomorrow?



# A Strategic Assessment, A Reality Check

- ◆ Q6: Today, in what paradigm is your organisation operating...is it operating in the customer-driven, competitive paradigm, transitioning between paradigms or still in the government-funded welfare paradigm and where should it be operating tomorrow?



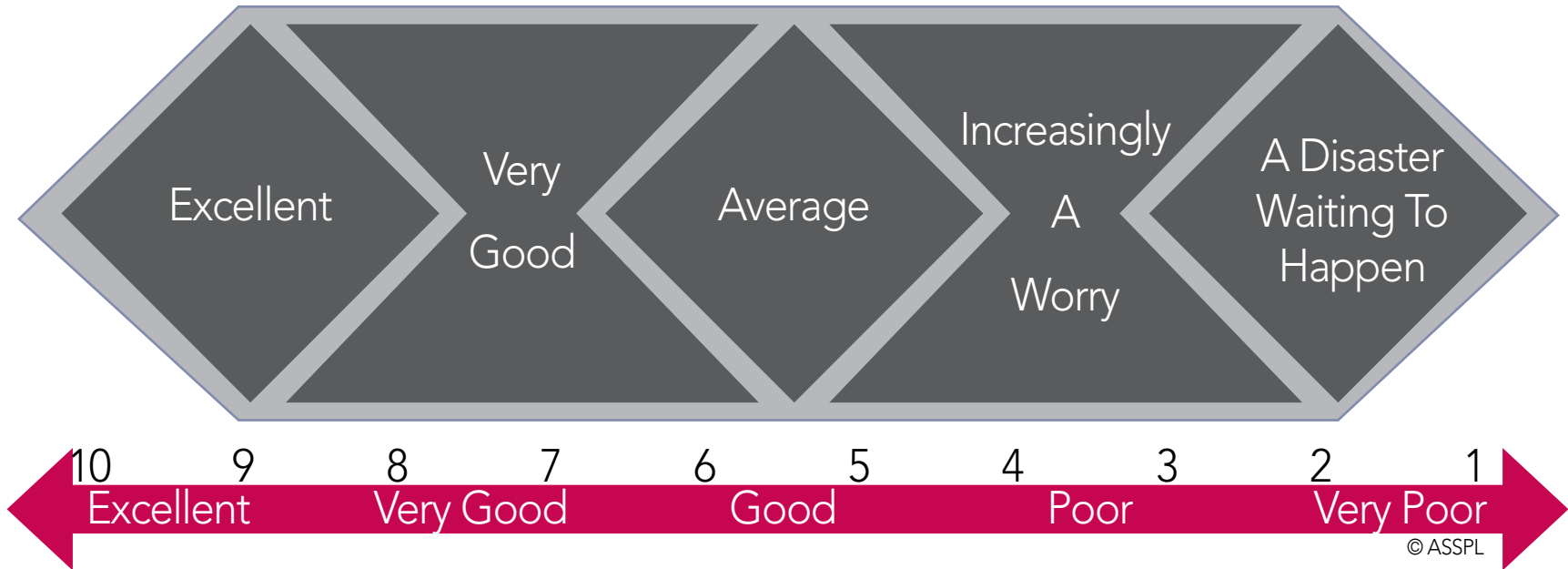
# A Strategic Assessment, A Reality Check

- ◆ Q7: Thinking about your organisation's strategy, structure, systems and services both today and tomorrow...does your organisation have either excellent Strategy, excellent Structure, excellent Systems and excellent Services or *none* of the aforementioned?



# A Strategic Assessment, A Reality Check

- ◆ Q8: Considering your organisation's financial results, trends and position over recent years and last year...how would you rate your organisation's cash flow, profit and loss and balance sheet position at this point in time; and tomorrow?



# A Strategic Assessment, A Reality Check

- ◆ Q9: In spite of customer demand, the number of residential aged care organisations continues to consolidate, new home care providers continue to enter the market, although home care providers will soon consolidate...so what is your organisation's strategy today and what will be your strategy tomorrow?





# A Strategic Assessment, A Reality Check

- ◆ Q10: A traditional aged care–home care business model/organisation cannot operate or succeed in the new, customer-driven, competitive market paradigm in the mid – long-term...how would you describe your business model/organisation today and your business model/organisation tomorrow?

**A Wearable Device...**



**A Mobile Device...**



**A Mobile Phone...**



**A Bag Phone...**



**A Red Telephone Box**



# Tally Time...What's Your Organisation's Score

Score	Rating	Key Messages
81 – 100	●●● Excellent Nil–Limited Risk	A solid foundation to continue your organisation's journey of strategic transformation and growth.
61 – 80	●●● Very Good Low Risk	Call to action, work required to avoid risk. Improvements need to be undertaken.
41 – 60	●●● Average Medium – High Risk	Medium–high probability of challenges. Significant strategic improvements required.
21 – 40	●●● Poor High–Extreme Risk	High probability of organisational demise. External assistance required ASAP.
1 – 20	●●● Shocking Extreme Risk	Extreme probability of organisational collapse. Immediate external assistance required.

# Part Two: The Board's Governance Roles & Responsibilities In Transforming Themselves & Leading The Transformation Of Their Organisation



# Directors, CEOs & Execs...Understand The New Paradigm

- ◆ For you, your board, chief executive officer and executives:
  - \* the move to a customer-driven, competitive marketplace is a radical departure from your known industry or sector context and modus operandi to which your organisation was perfectly adapted
  - \* the need to really understand the strategic and organisational impacts and implications, challenges and opportunities of a new industry/ sector paradigm is essential.



# Directors, CEOs & Execs...The Big Dilemma, A Paradigm Shift

- ◆ When your organisation undergoes a radical paradigm shift, it presents you, your board, chief executive officer and executives with the dilemma of:
  - \* do we disrupt our organisation, that is seriously transform our organisation, re-engineer our business model and reinvent our culture to ensure we are relevant in the new paradigm
  - \* or, should we wait and see if the new industry or sector paradigm and leading or high end following organisations disrupt our organisation?





# Directors, CEOs & Execs...Must Confront The Emerging Reality

Prior to addressing the aforementioned dilemma you, your board, chief executive officer and executives need to come to grips with:

## ◆ Individual Director's Commitment & Contribution

Each director should consider their actual commitment and contribution and the value and benefit they individually bring to your board.

If you and your board are just “mechanically governing”, “stuck in old ways and days” it will be a struggle to provide the transformational leadership required to initiate and drive the strategic transformation of your organisation.



# Directors, CEOs & Execs...Must Confront The Emerging Reality

## ◆ Industry Or Sector Strategic Challenges & Opportunities

Understand your industry or sector's emerging and future strategic challenges and opportunities and what these actually mean for:

- \* your organisation,
- \* you and your board's future roles, responsibilities and modus operandi, and
- \* your chief executive officer and executives; do they have the capability to transform the organisation?





# Directors, CEOs & Execs...Must Confront The Emerging Reality

## ◆ Industry Position & Organisational Status

Determining the true position and status of your organisation in the industry or sector in which it operates is a vital first step.

In particular, understanding the realities of one's governance, organisational and operational legacy issues is fundamental, eg: systems, financial, culture and governance.

Some directors or boards have a limited view of their organisation; they are either "walking backwards into the future looking at their glorious past", or they have "fallen in love with their shadow, but the shadow doesn't reflect the true form".



# Directors, CEOs & Execs...Must Confront The Emerging Reality

## ◆ Resource Capacity & Capability

Assess and reflect on the current and future capacity and capability of your board, chief executive officer and executives to:

- \* initiate, lead and drive, plan and document the strategic transformation project
- \* provide additional human and financial resources over and above the current people/structure and annual budget
- \* utilise key contacts, networks, business intelligence and mutually beneficial partners
- \* locate, engage and pay for specialist strategic advisors and consultants.



# Directors, CEOs & Execs...Must Confront The Emerging Reality

- ◆ The results of your current and future strategic assessment of your organisation should be seriously discussed and appropriate actions determined by your board, chief executive officer and executives.
- ◆ The ten questions contained in the Strategic Assessment Tool relate to fundamental elements or considerations, all of which are critical if your organisation is to successfully transform.

Our Score	Rating
81 – 100	●●● Excellent Nil-Limited Risk
61 – 80	●●● Very Good Low Risk
41 – 60	●●● Average Medium – High Risk
21 – 40	●●● Poor High-Extreme Risk
1 – 20	●●● Shocking Extreme Risk

# Directors, CEOs & Execs...Must Confront The Emerging Reality

## ◆ Industry Or Sector Leading Organisations

Leading organisations usually only account for 5% – 10% of an industry or sector. Typically they demonstrate the following governance and leadership attitudes, behaviours and characteristics:

- \* strong, dynamic, collegial and collaborative leadership team (board, chief executive officer and executives)
- \* visionary, entrepreneurial, creative and innovative; looking outside the square, seeking out ideas and opportunities
- \* undertaking (or have undertaken) a strategic organisational transformation project driven by a powerful strategy and process
- \* co-designing new business model/s, new markets, customer categories, market channels and revenues, new technologies, etc
- \* leaders have significant intellectual capacity and capability.

# Directors, CEOs & Execs...Must Confront The Emerging Reality

## ◆ Industry Or Sector Following Organisations

Following organisations generally account for 70% – 80% of an industry or sector. They typically demonstrate the following attitudes, behaviours and characteristics:

- \* slow or steady sequential thinking and implementation
- \* varying degrees of change and achievement
- \* watching and learning, generally slow to act, at worst no sense of urgency or strategic advancement
- \* at worst, conservative, risk averse or cautious boards and chief executive officers, or sequential or slow acting leaders
- \* high end following organisations often transition over time into leading organisations, or amalgamate or merge into leading organisations, as do low end following organisations.

# Directors, CEOs & Execs...Must Confront The Emerging Reality

## ◆ Industry Or Sector Resisting Organisations

Resisting organisations at minimum account for 5% – 10% of an industry or sector. They typically demonstrate the following attitudes, behaviours and characteristics and confidently and stridently announce, eg:

- \* “we are quality, we are accredited”
- \* “our clients love us, we are OK”
- \* “we’ve seen it all before, we don’t need to do anything”
- \* “we know the local politician”
- \* “our organisation is not broken so why try to change it?”



# Directors...A Reminder, Governance = Leadership

- ◆ ...from Standards Australia

*'the processes by which organisations are directed, controlled and held to account'*

- ◆ ...from the Macquarie Dictionary

*'to steer, guide and govern, exercise authority or control, a method of government'*

- ◆ ...from the Australian Stock Exchange Corporate Governance Council

*'the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations'*

- ◆ Governance is a term increasingly understood by directors, chief executive officers and executives, but its practical implementation still remains a challenge for some boards and chief executive officers.



# Directors...A Reminder, Governance = Leadership

- ◆ In essence, governance should operate as both a “collective leadership process” and an “individual leadership process” undertaken by the board as a whole and individual directors.
- ◆ In undertaking these leadership processes, directors enact their various governance roles and responsibilities.
- ◆ As leaders who are governing, directors also act as stewards or custodians of the organisation, on behalf of members and stakeholders; hopefully taking the organisation to a better place than where it was when they were appointed.
- ◆ Accepting a position as a director requires a serious commitment to contemporary governance and leadership principles and practices, the allocation of time and a willingness to personally grow and develop one’s governance and leadership skills, knowledge and experience. This is critical if a meaningful and measurable contribution to the board is to be made.

# Directors...A Reminder Of Your Board's Purpose

- ◆ Directors are 'stewards and custodians' on behalf of the organisation's members, who are also the owners of the organisation.
- ◆ They are the keepers of, amongst other things, its vision, mission, values, philosophy and core business statements and are the initiators and drivers of the organisation's strategy, eg: strategic transformation project.
- ◆ Directors are appointed or elected to your board by the organisation's members to 'direct and guide' the organisation, not manage the organisation or its services.
- ◆ Your board's purpose is to translate the wishes of members, 'the owners', via its vision, mission, values, philosophy, core business and strategies into organisational performance against agreed measure of success, for the benefits of customers.

# Directors...A Reminder Of Your Board's Purpose

- ◆ Therefore your board is foremost a voice from 'ownership to management' and only secondarily a link and a voice in the other direction.
- ◆ At a high level your board should ultimately focus on what the organisation stands for, rather than what the organisation does, eg: vision and mission.
- ◆ Your board should focus on the organisational ends/key result areas and strategies, supporting the chief executive officer and executives to deliver the means or the how, that is the strategy, eg: strategic transformation strategy.
- ◆ Your board should drive the strategies whilst the chief executive officer and executives should deliver the strategies and projects.
- ◆ In essence boards should put their hands around the business not in the business, but they also need to understand the business.

# Directors...A Reminder Of Your Two Key Roles

- ◆ In summary, your board has two key roles. The two key roles are presented in the centre of the models below.

First & Foremost:



Secondly & Importantly:



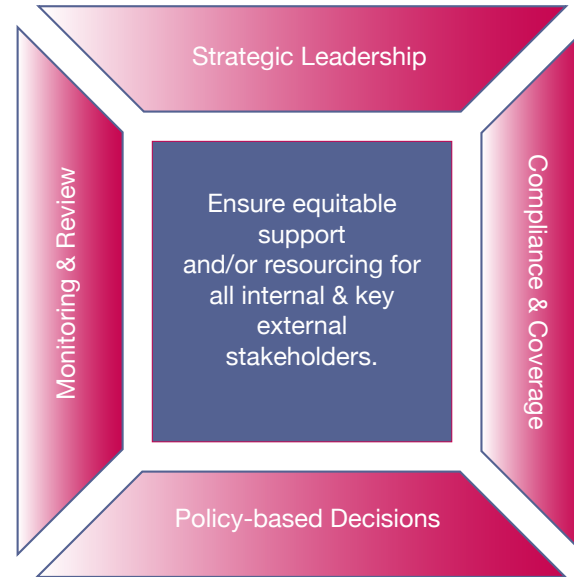
# Directors...A Reminder Of Your Four Key Responsibilities

- ◆ In summary, your board has four key responsibilities. The four key responsibilities are presented on the outside of the models below.

First & Foremost:



Secondly & Importantly:



# Directors...Your Strategic Leadership Functions

- ◆ Your board needs to ensure, amongst other things, that it:
  - \* provides leadership, wisdom and common sense
  - \* provides the necessary strategic leadership, insights and vision
  - \* asks pertinent and insightful questions and expects appropriate, timely and accurate responses from the chief executive officer
  - \* employs, works with and builds the relationship with the chief executive officer and executives
  - \* causes the development and driving of the vision, mission, values, philosophy, core business, desired future and key result areas and strategies, eg: strategic transformation strategy
  - \* keeps the organisation in mission mode or for a limited time in maintenance mode, but does not let it fall into muddling mode

# Directors...Your Strategic Leadership Functions

- ◆ Your board needs to ensure, amongst other things, that it (*con't*):
  - \* continuously monitors and understands the current and future internal and external industry or sector challenges and opportunities facing the organisation
  - \* enables the necessary strategic thinking, strategic discussion and strategic decisions to occur thereby enabling the development and documentation of a practical and realistic strategic plan
  - \* enables the development and quarterly monitoring and annual reviewing of the strategic plan, thereby ensuring the strategic growth and development of the organisation and its services.

*Note: The three other board responsibilities – policy based decisions, monitoring and reviewing and compliance and coverage, are not included in this presentation.*

# Directors...It's A Case Of Step Up Or Step Off

- ◆ In a nutshell, your governance roles and responsibilities and industries' or sectors' key drivers must be fully understood.
- ◆ So, as a director you must seriously come to grips with this situation and either step up, or step off the board.
- ◆ Thereafter, from those remaining on the board, the chief executive officer needs a clear, unequivocal mandate and additional human and financial resources in order to transform the organisation, re-engineer the business model and reinvent the culture.





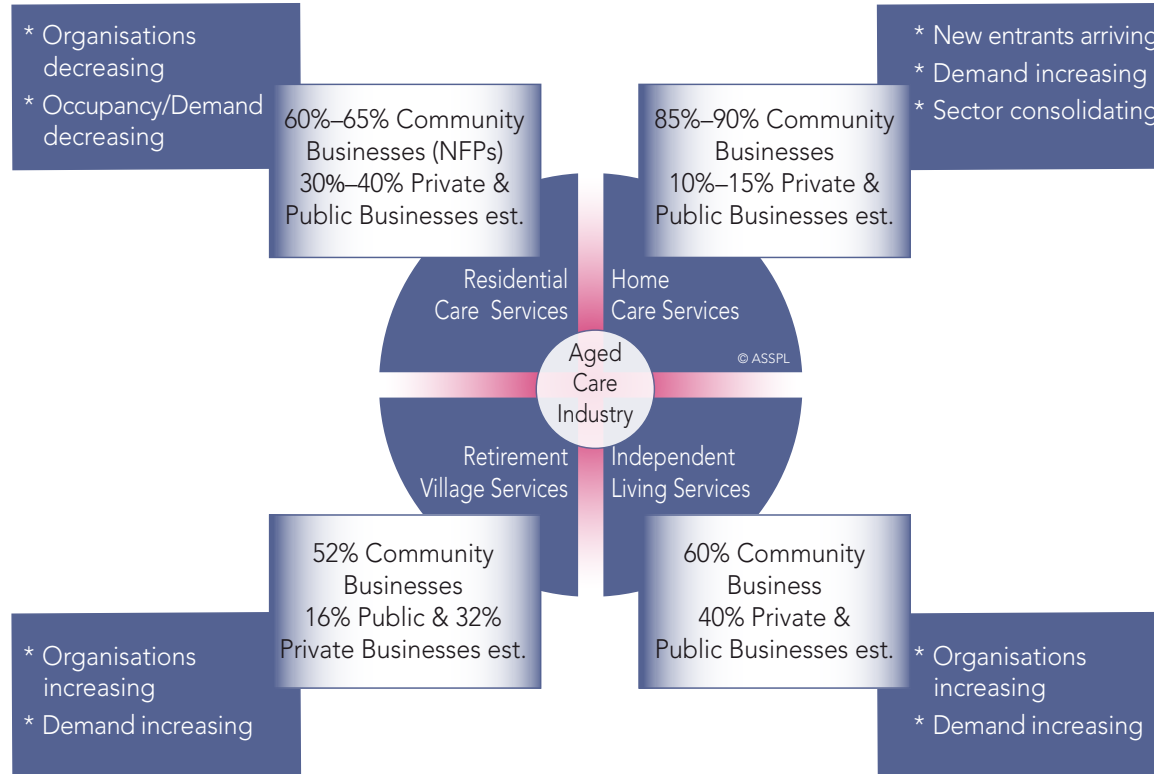
# Part Three: Understand The Emerging & Future Big Picture & The Associated Strategic Challenges & Opportunities For Your Organisation



# The Three Big Issues...The Three Big Questions

- ◆ How will your board, chief executive officer and executives, the leadership team of your organisation, ensure that:
  - \* current/future customers (residents/clients) can access high quality, affordable services/products that meet or exceed their expectations and requirements in the customer-driven, competitive marketplace
  - \* your organisation remains viable, sustainable and profitable, able to fund its future strategies and projects as well as its unfundable services or projects, in a customer-driven, competitive marketplace
  - \* your organisation continues to contribute to the economic development, community development and regional development of the community/ies, town/s and region/s in which it operates?

# Increasing Customer Demand, Industry Consolidation



# Industry/Sector Consolidation Continues...The Evidence

Industry Examples	1980s	1990s	2000s	2019/2020	2022/25
Residential Aged Care Providers	2,200	2,900	1,600	830 (June 21)	500–400 (est)
Home Care Providers (Total) CHSP (incl. WA HACC) Home Care Providers	500–2,000	3,000–2,500	2,500–1,500	1,452 (incl. WA HACC) 939#	2,000–1,000 (est)
Disability Employment Providers	13+	240	260	214 (2012)	N/A*
NDIS Providers	N/A	N/A	493 <sup>^</sup>	3,519 (June 16) 8,698 (June 17) 14,534 (Mar 20)**	6,000 – 8,000 (est)
Employment Providers	700+	300 (only 70 of original 700)	200	41	25–50–100 (est)
Bush Nursing Hospitals	69 (1935–1980s)	30–50	25–30	22	30 (est)
Private Health Insurance <small>© ASSPL</small>	N/A	48	44	37	30–20 (est)

# The number of home care providers as of 30 June was 496 in 2016, 735 in 2017, 869 in 2018, 929 in 2019 & 920 in June 2020. The number of home care providers is increasing due to the introduction of Consumer Director Care.

\* Programs & funding made part of NDIS.

M462 V2.1 15 December 2021

<sup>^</sup> Providers funded by C'wlth DSS prior to NDIS.

\*\* Numbers increasing due to the introduction of NDIS. Approx 67% of providers are active; the top 25% of providers receive 80–90% of the value of payments made by NDIA; Consolidation is expected to occur in 2–4 years.

# Expenditure Increases, But So Does Demand

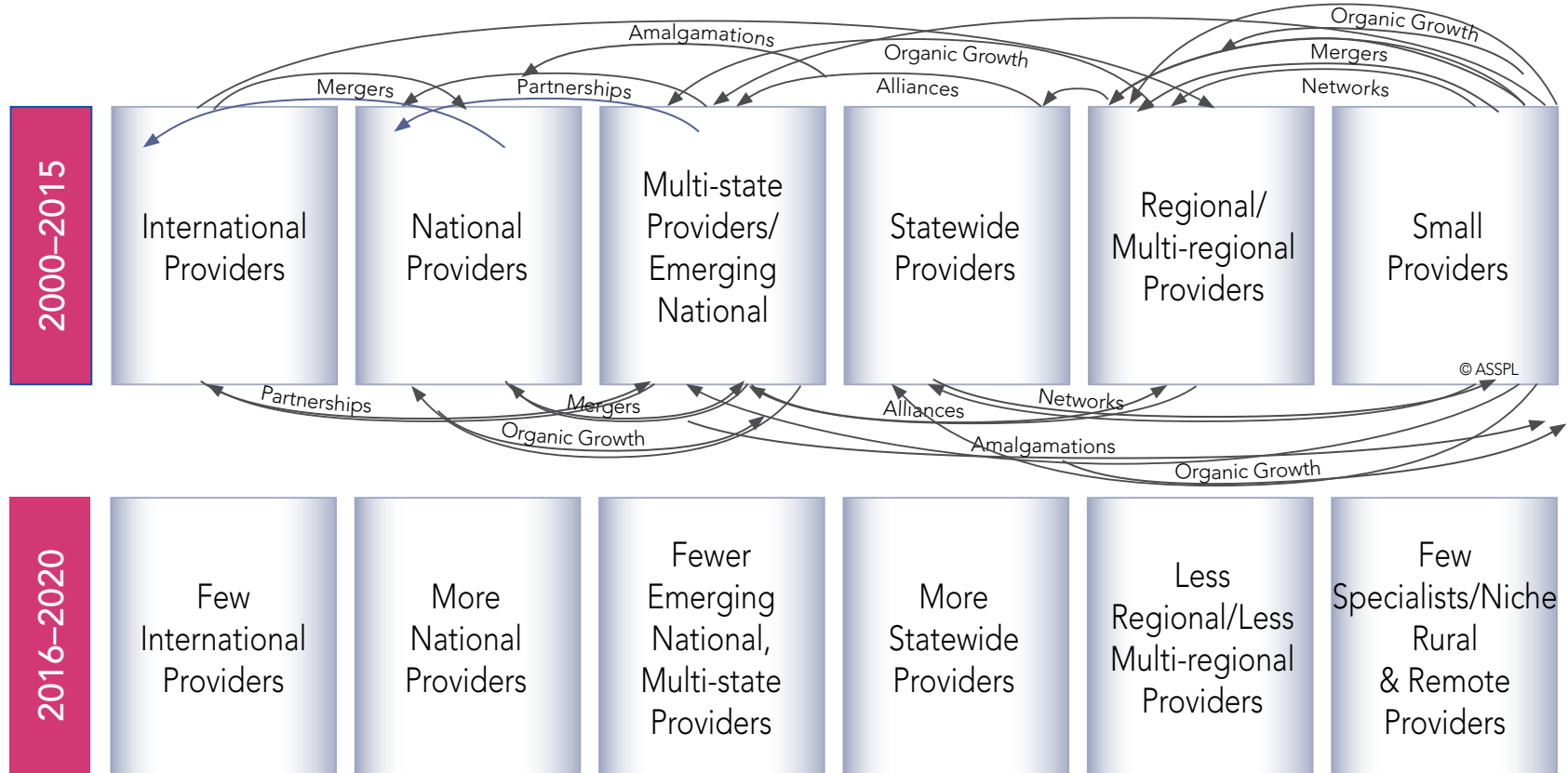
Reporting Category	2016–2017: \$1b	2017–2018: \$1b	2018–2019: \$1b	2019–2020: \$1b	2020–2021: \$1b
Hospital	18,460	19,563	20,639	21,769	22,577
Aged Care	17,470	18,554	19,809	21,141	22,318
Primary Care (incl. mental health)	1,490	1,535	1,632	1,288	1,254
Medical Benefit Scheme	22,893	23,671	24,816	26,473	27,915
Pharmaceutical Benefits Scheme	11,634	11,280	11,108	11,118	10,984
Private Health Insurance	6,258	6,424	6,559	6,694	6,846
Indigenous	798	881	895	9332	968
Sport & Recreation	366	416	363	311	307
Other	12,261	11,923	11,863	11,734	11,945
<b>Grand Total</b>	<b>91,655b</b>	<b>94,247b</b>	<b>97,683b</b>	<b>101,459b</b>	<b>105,214b</b>

© ASSPL

Note: Estimates refer to whole government expense for health including payment made by Health, Treasury, DVA, DHS & ATO

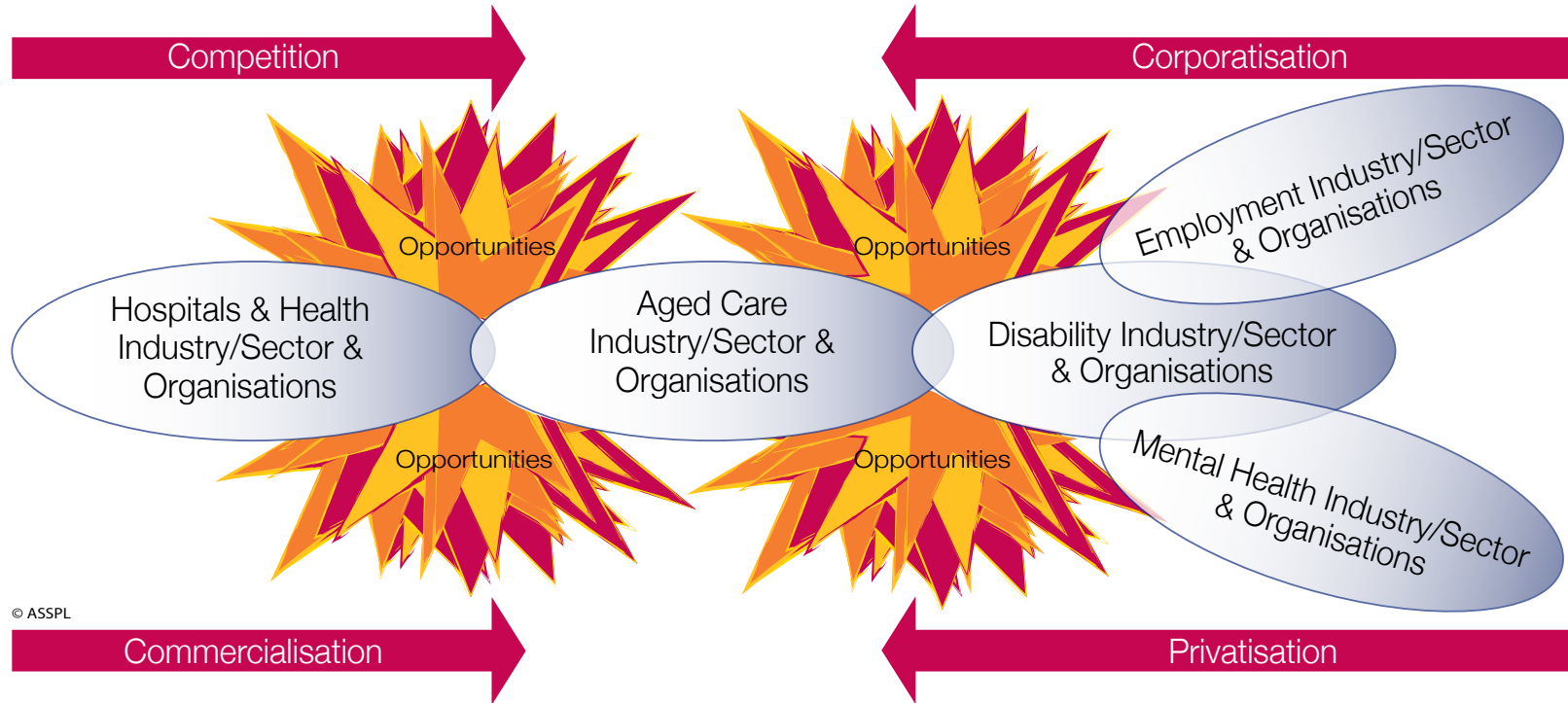
Source: Stewart Brown, Residential Care Report – December 2017

# The Big Are Getting Bigger, The Small Go Niche/Specialist



# Colliding Worlds...Ideas & Opportunities Abound

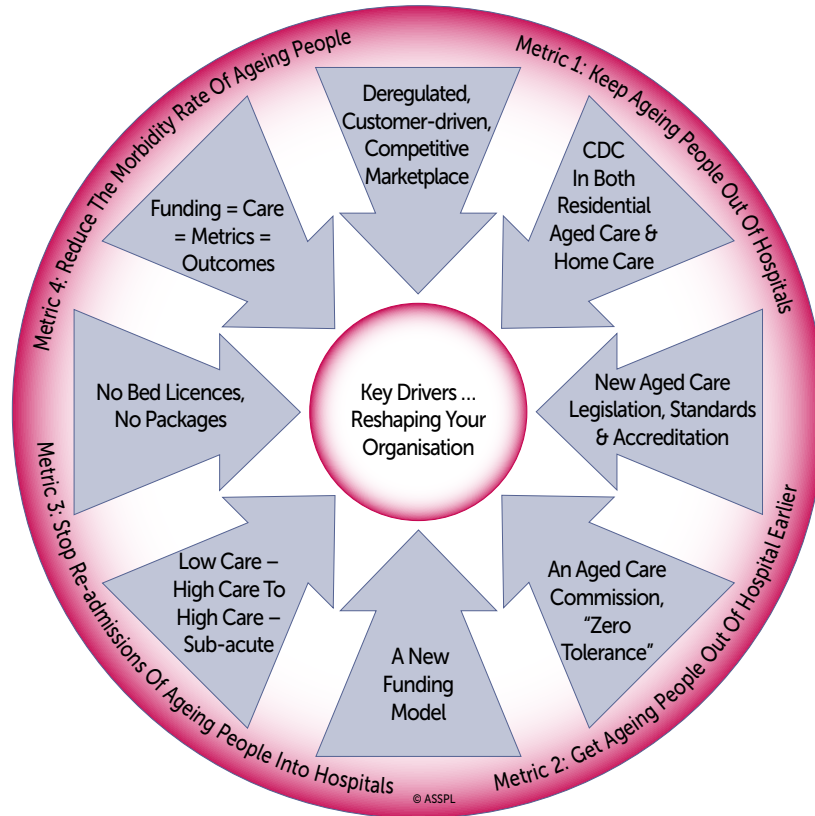
## ◆ Example: Hospitals, Aged Care, Disability & Mental Health



© ASSPL

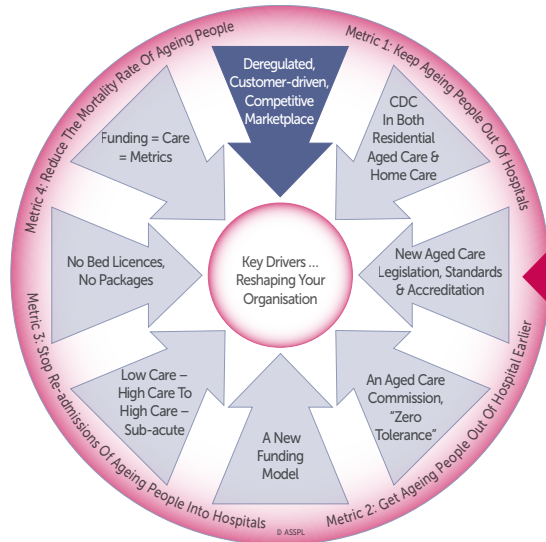
# Aged Care Industry Key Drivers...Reshaping Your Organisation

## ◆ Example The Key Drivers Of The Residential Aged Care Industry





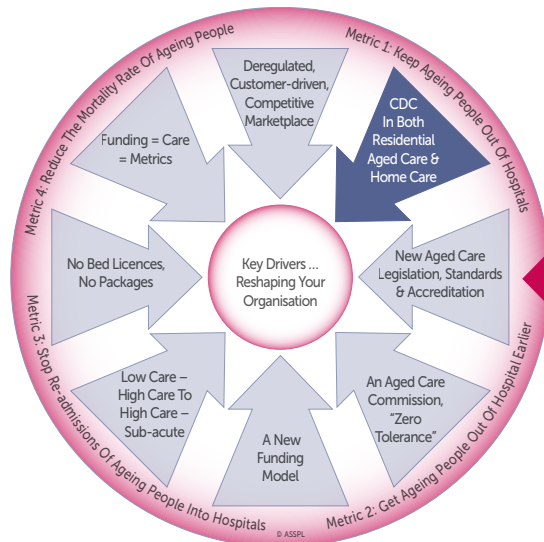
# A Deregulated Marketplace, A Reshaper



## A Deregulated, Customer-driven, Competitive Marketplace...

the increasing intensity of competition between private, public and community businesses to attract and retain customers and increase their marketshare

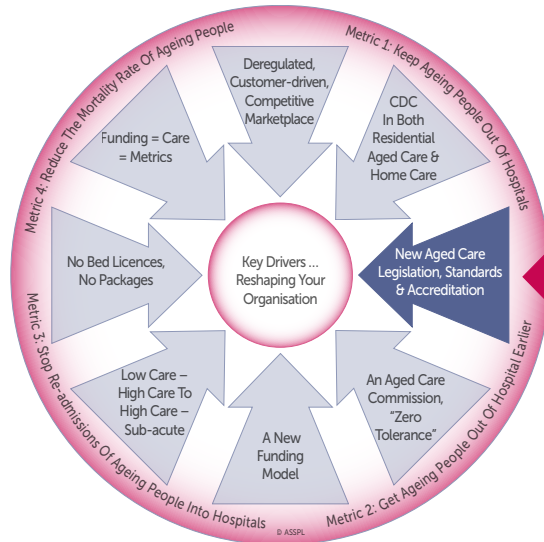
# CDC, Consumer Directed Care, A Reshaper



## CDC, Consumer Directed Care...

as time progresses newer customers (their partners, carers or families) will have ever increasing expectations and requirements and will make greater choices in their care and support, eg: Uber Eats, In-Home Residential Care, not just facility based care

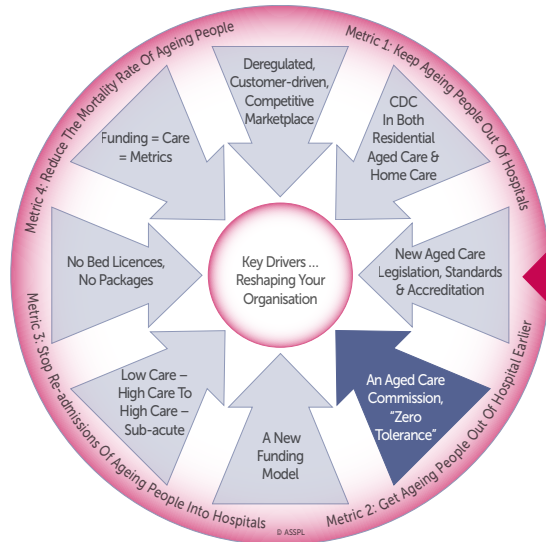
# New Aged Care Standards/Accreditation, A Reshaper



## New Aged Care Legislation, Standards & Accreditation...

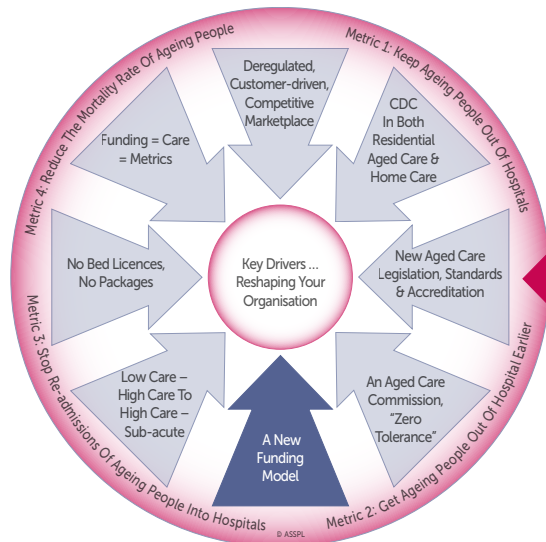
including Standard 8, Organisational Governance, will create even greater accountability, transparency and performance requirements at governance, organisational and service levels

# An Aged Care Commission, "Zero Tolerance", A Reshaper



**An Aged Care Commission, Ministerial "Zero Tolerance" ...**  
the creation of an Aged Care Commission, coupled with a ministerial directive for "Zero Tolerance" of non-compliance and serious risk has and will continue to drive quality and continuous improvement

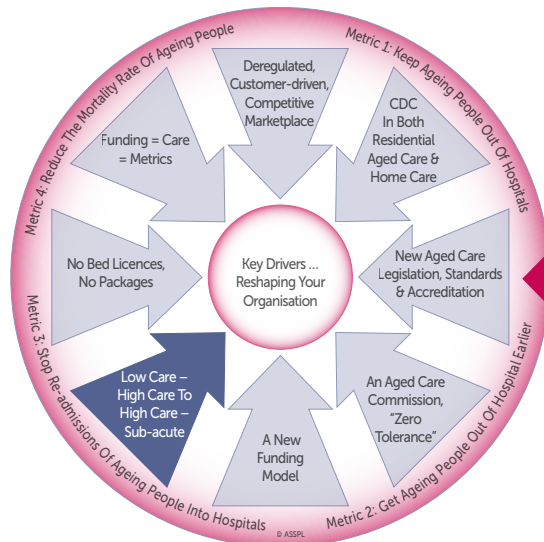
# A New Funding Model, A Reshaper



## A New Funding Model...

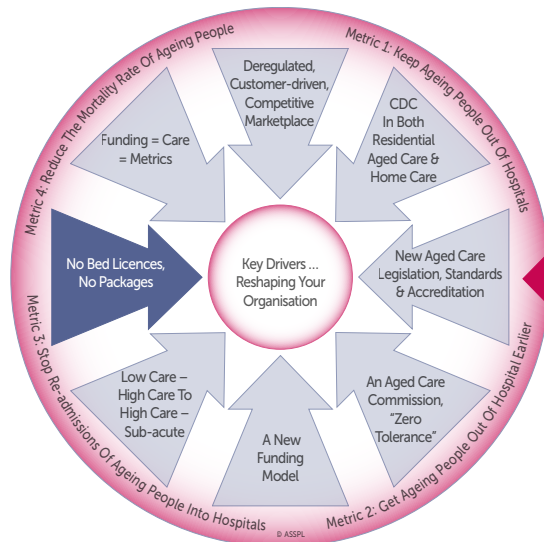
CAM and SAM became RCS, that became ACFI, that will soon become one funding model, probably based on a sliding scale of funding against a sliding scale of care levels

# Low Care – High Care To High Care – Sub-acute, A Reshaper



**Low Care–High To High Care–Sub-acute...**  
the move from low care – high care to high care – sub-acute with shorter stays and higher acuity in residential aged care and similarly in home care; focused on people who are ageing with emerging or actual chronic health and complex health conditions

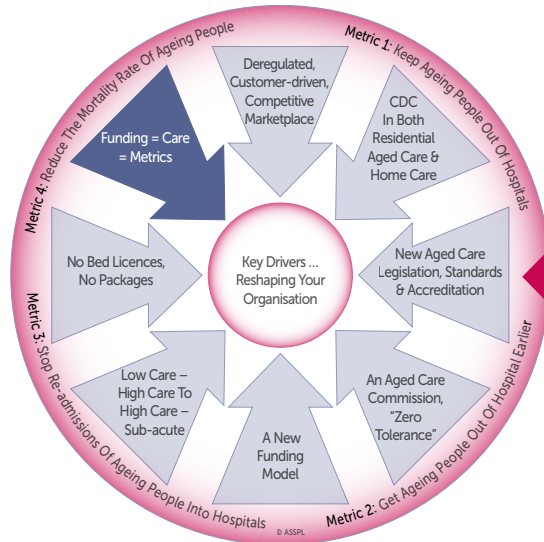
# No Bed Licences, No Packages, A Reshaper



## No Bed Licences, No Packages...

The Aged Care Act, new standards, CDC, a deregulated, competitive marketplace and other key drivers will ultimately see aged care delivered in any environment, therefore no bed licences or packages; assessment criteria is the gatekeeper

# Funding = Care = Metrics = Outcomes, A Reshaper



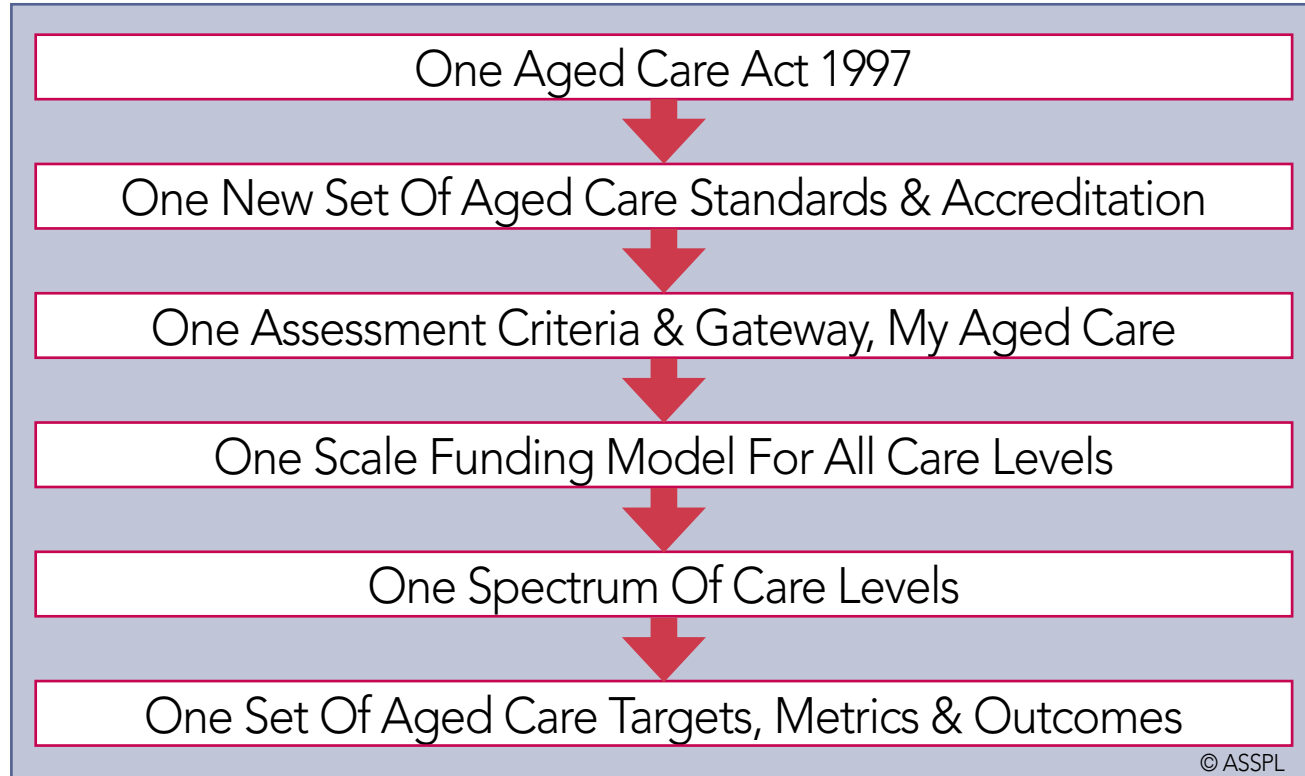
## Funding = Care = Metrics = Outcomes...

as aged care morphs into health care, the four key metrics portrayed in the key drivers model will create a framework of:

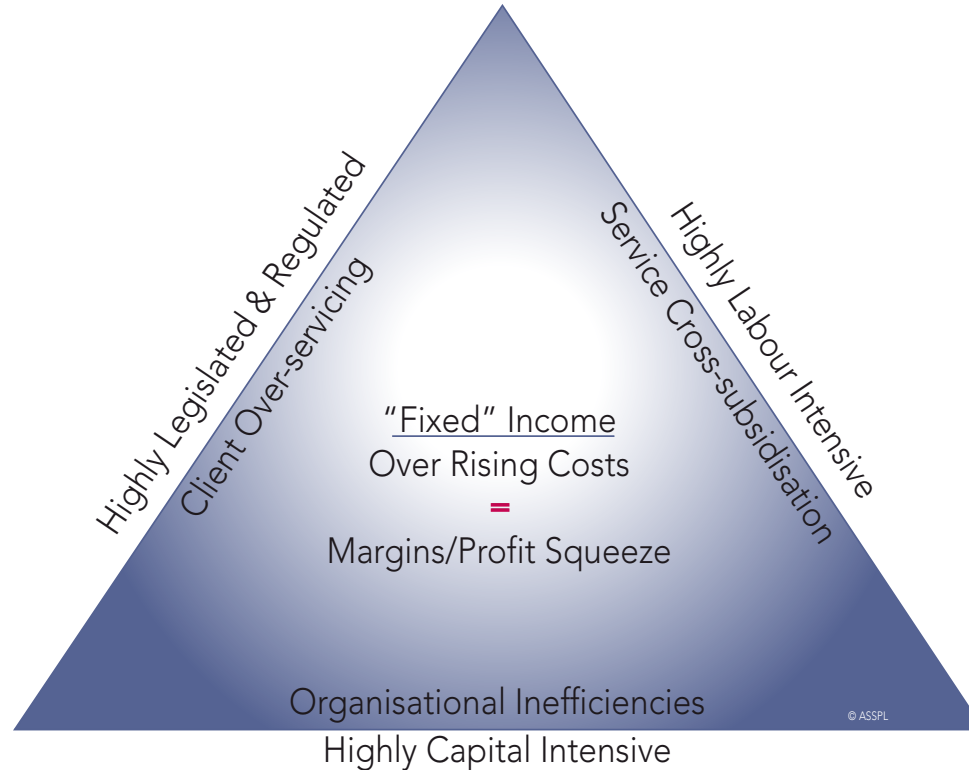
- \* assessed funding =
- \* quality care =
- \* robust metrics = outcomes



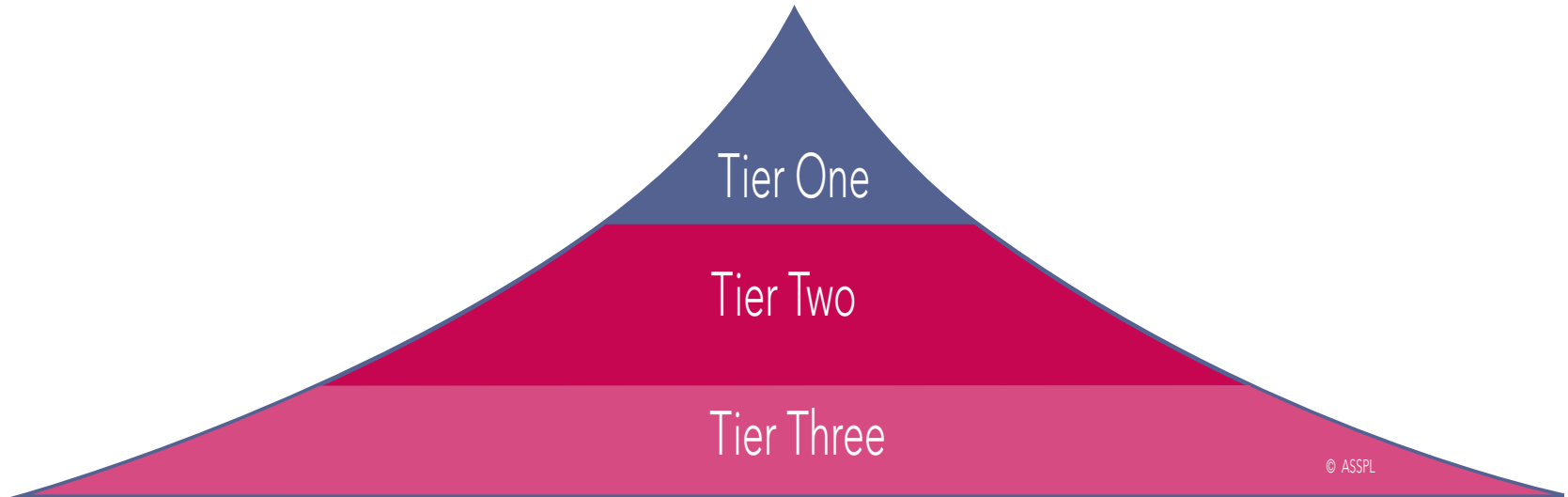
# The Reshapers, Create A New Streamlined Framework



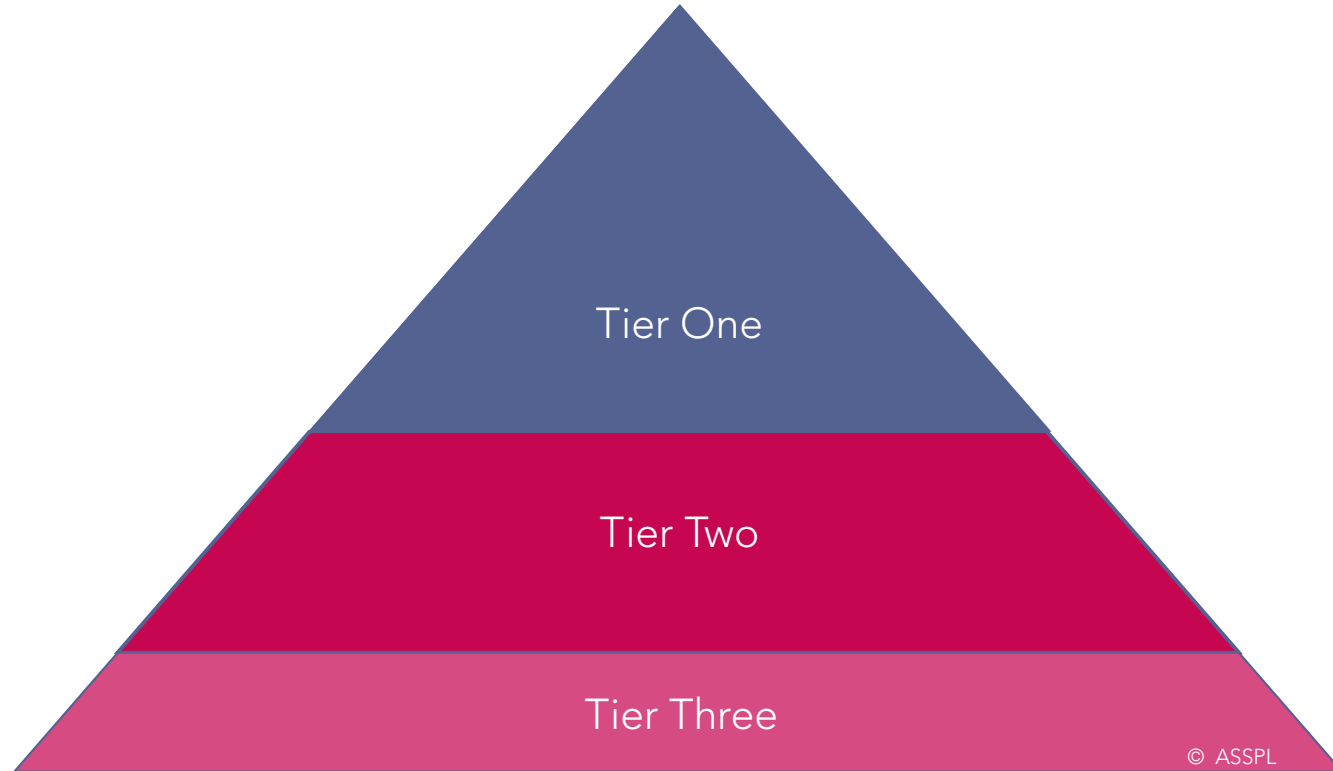
# The Typical Business Model Of Aged Care Organisations



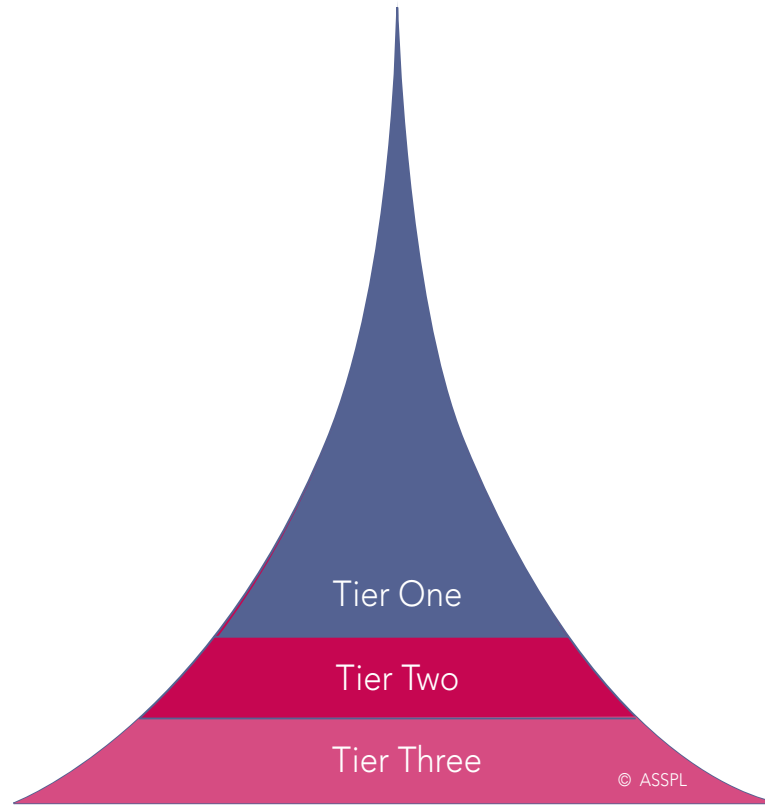
# The Past Shape Of Aged Care Industries/Sectors



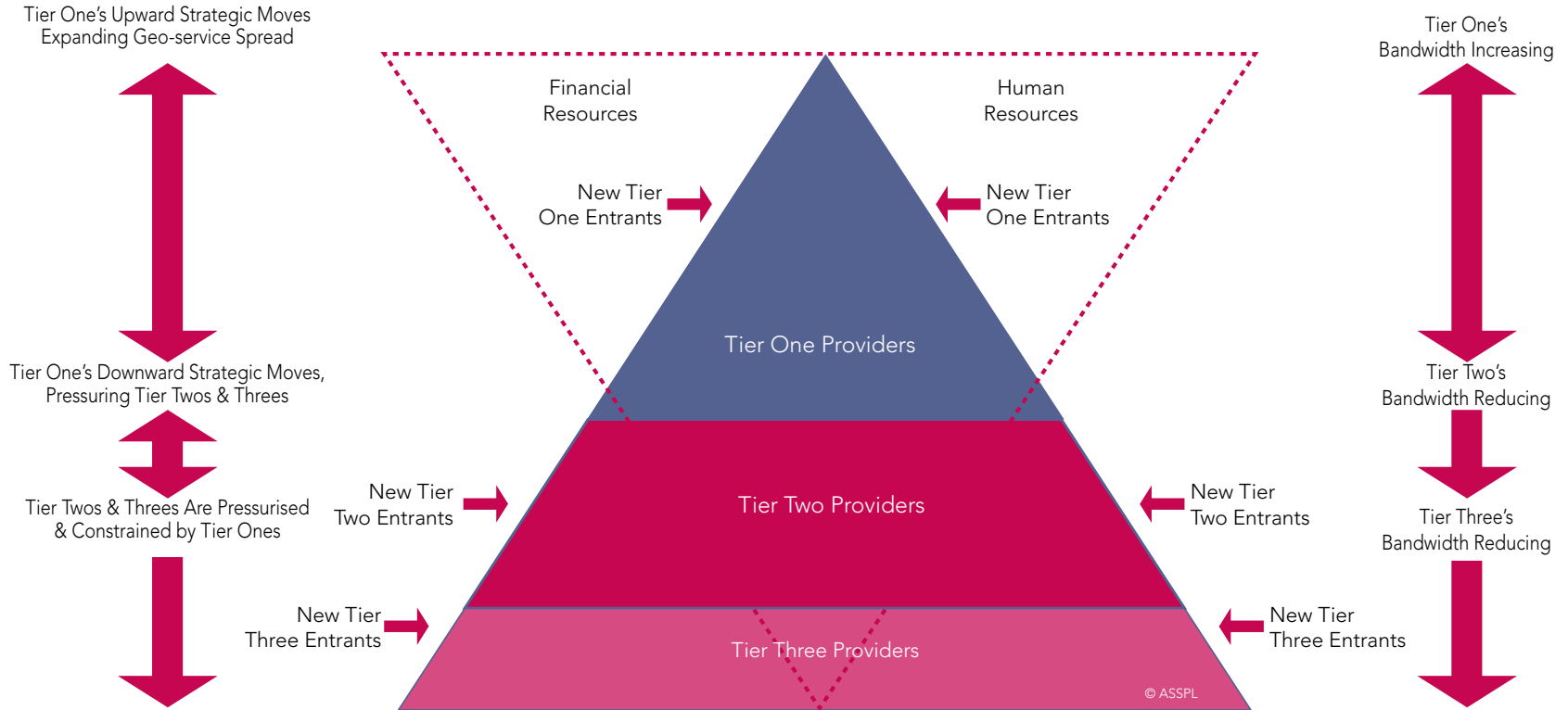
# The Current Shape Of Aged Care Industries/Sectors



# The Future Shape Of Aged Care Industries/Sectors

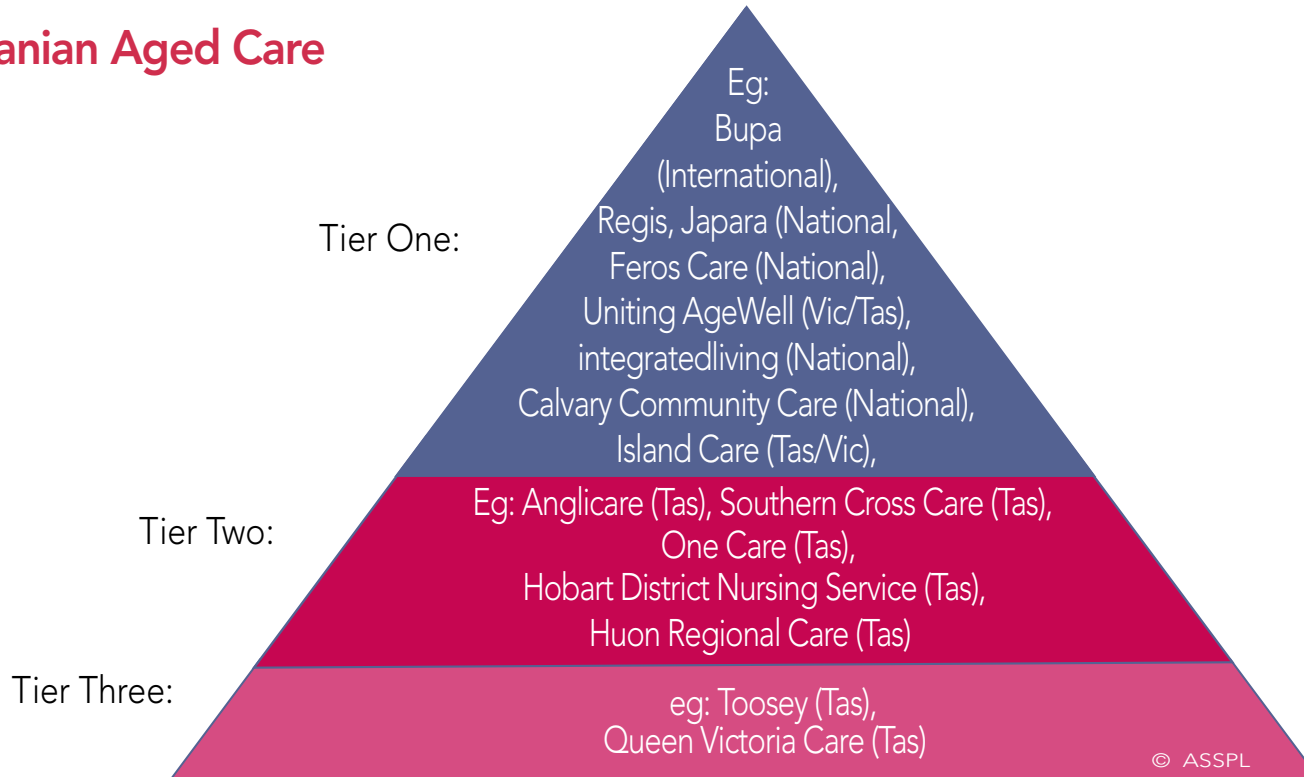


# The Influence & Power Of Tier One Organisations



# A Tiered Industry Is Emerging

## Eg: Tasmanian Aged Care



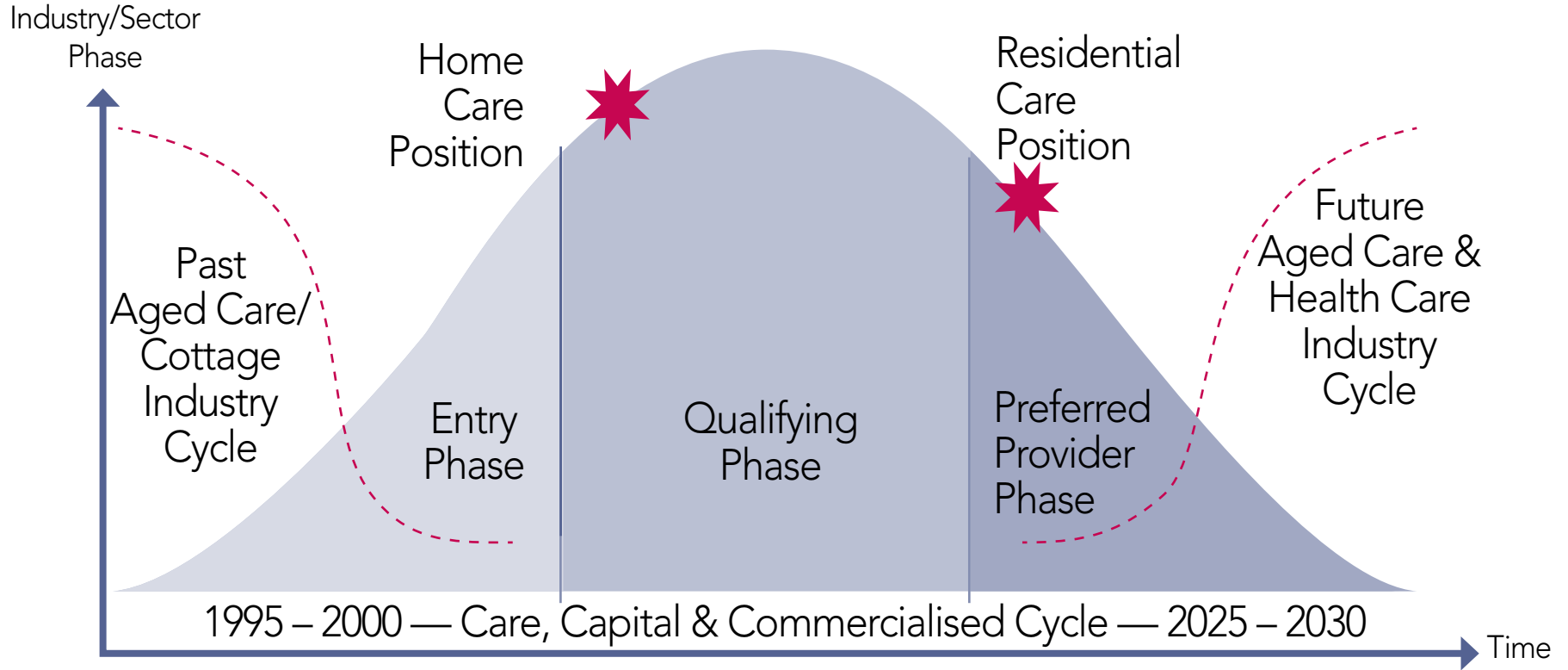
# Innovative & Disruptive Business Models Are Emerging

- ◆ Business models that are nominally supported by various digital technologies or solutions is one approach.
- ◆ However, several boards, chief executive officers and executives have been able to completely transform their organisation, re-engineer their business model and reinvent their culture on the basis of a comprehensive digital platform, thereby completely digitising their organisation, its business and therein services, eg: Care Connect.





# Aged Care, Like All Industries Has Cycles & Phases



# The Emerging Reality For Organisations...Adapt Or Die

- ◆ When customer, retail and market forces become more important than government legislation, standards and accreditation, true competitive advantage, strategy and innovation determines the real winners.
- ◆ The emerging reality of commercialising, corporatising and privatising human services in a number of countries is self evident when one considers the percentage trends of For Profits versus Not for Profits, eg: in 2000, 97% of aged care services in the UK were delivered by Local Government and NFP organisations, today 10%!

Eg: Aged Care 2016	UK	NZ	USA	Australia
For Profit	90%	78%	67%	↑ 45%
Not for Profit	10%	22%	33%	↓ 55%

Source: Grant Thornton, Australia

# Part Four: Address Your Transformational Leadership & Management Challenges & Opportunities

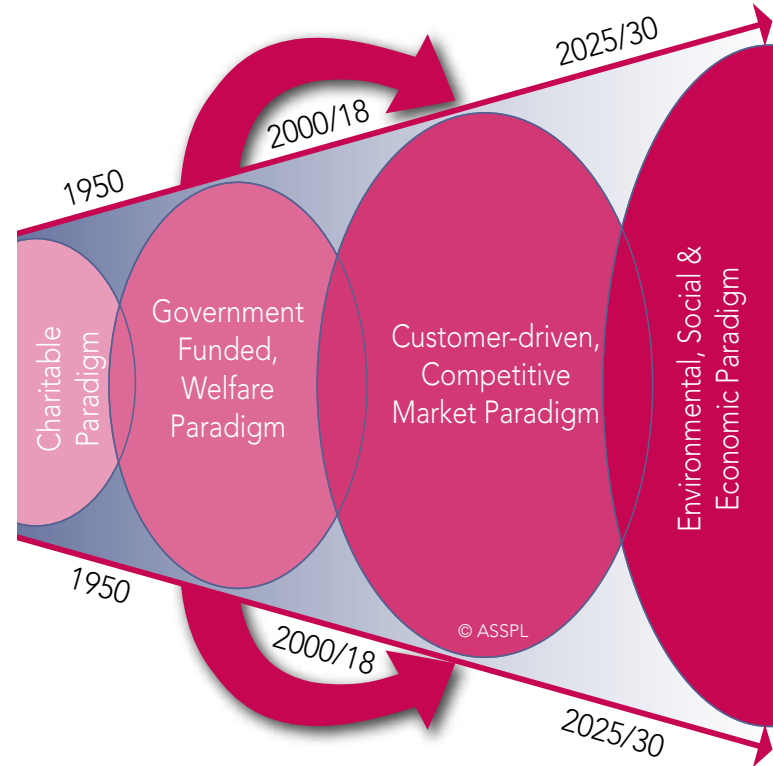


# Challenge One For Boards, CEOs & Executives

## ◆ The Paradigm Leap... From Welfare to Market

Boards, chief executive officers and executives need to lead their organisation through a paradigm leap, moving from the government funded welfare paradigm to the customer-driven, competitive market paradigm...

**"a transformational journey needs to be undertaken"**



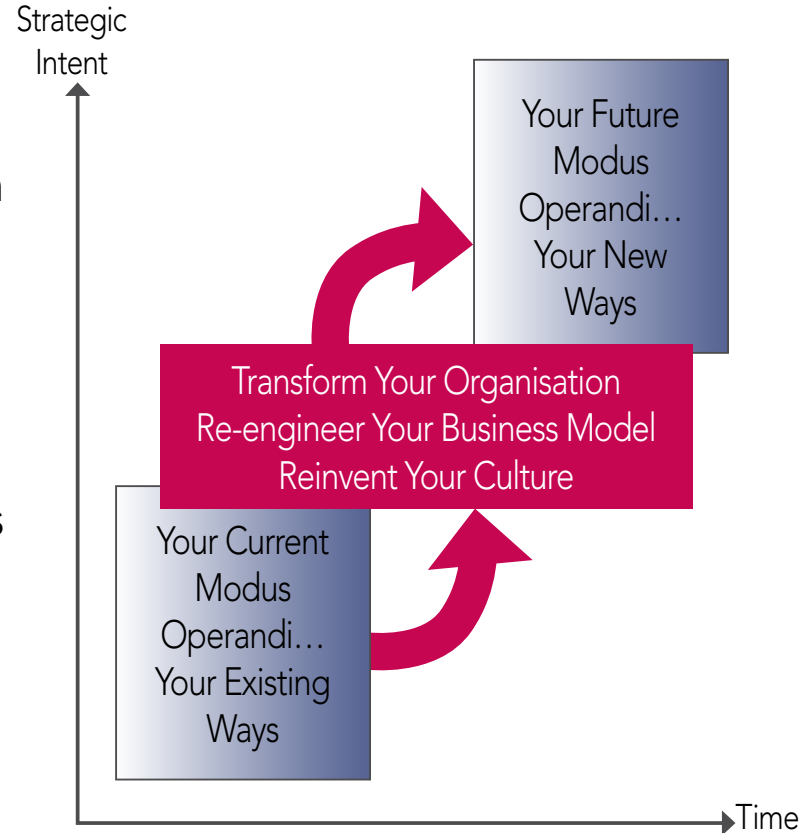
# Challenge Two For Boards, CEOs & Executives

## ◆ Transform Your Culture, Reinvent Your Organisation

The paradigm leap can only be achieved with transformational leadership...boards, chief executive officers and executives who will:

- \* transform their organisation
- \* re-engineer their business model, therein its strategy, structure, systems and services
- \* reinvent their culture...

**"transformational leadership, supports business process re-engineering"**



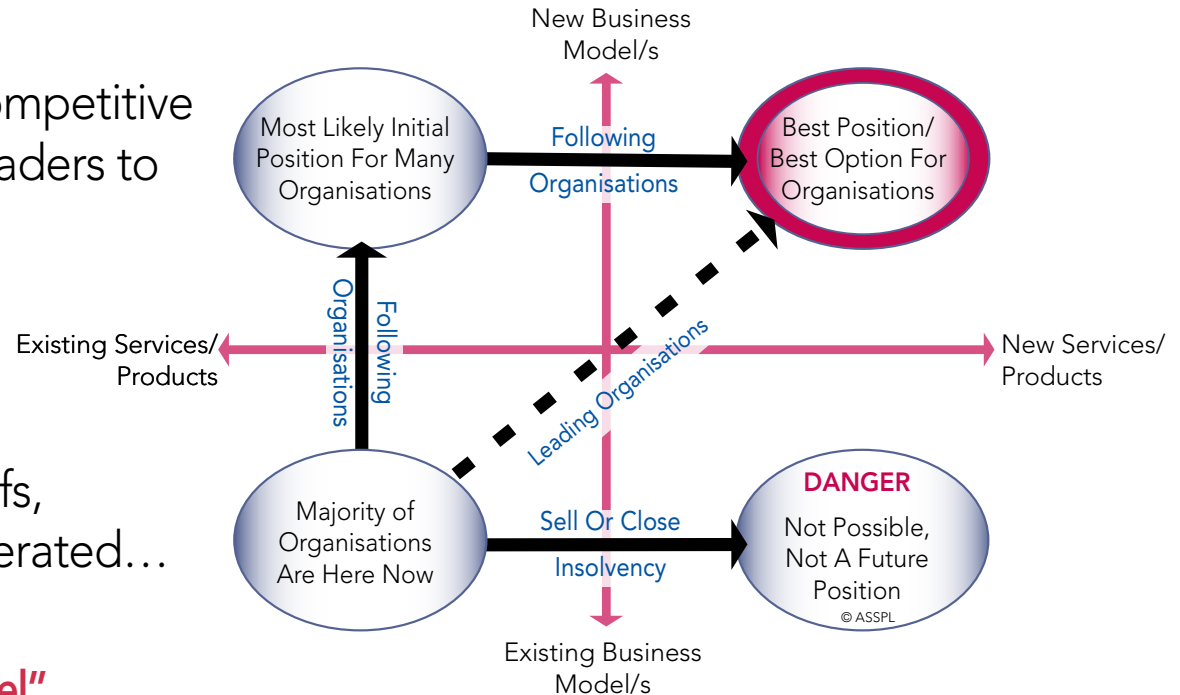
# Challenge Three For Boards, CEOs & Executives

## ◆ A New Paradigm Demands A New Business Model

A new customer-driven, competitive marketplace will require leaders to adopt customer, retail and commercial principles and practices.

Therefore a new business model will be critical...no ifs, buts or excuses can be tolerated...

**"co-design a unique, innovative, new business model"**



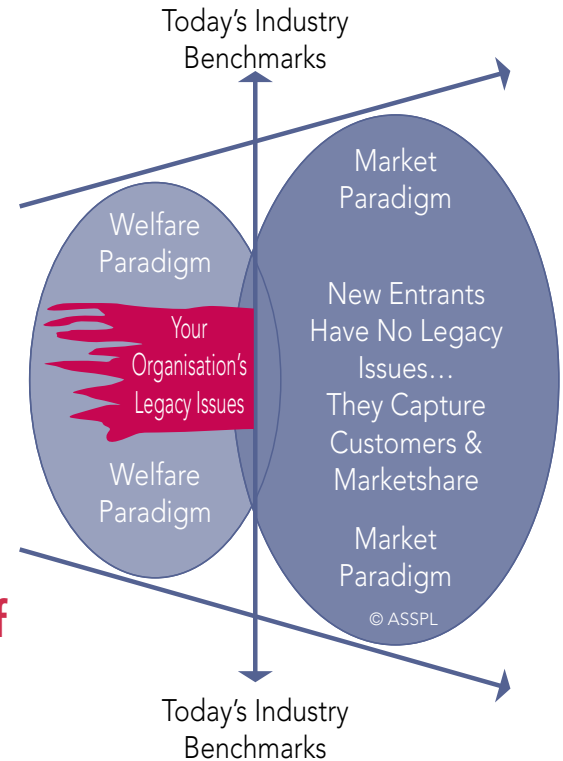
# Challenge Four For Boards, CEOs & Executives

## ◆ Dealing With Legacy Issues Means Lost Time, More People & More \$ Over & Above The Budget

All aged care and health care organisations were perfectly adapted to the government funded, welfare paradigm; consequently many directors, chief executive officers and executives have limited experience of customer, commercial and market realities.

All existing organisations have legacy issues. These will require significant time, human and financial resources just to meet today's industry benchmarks...

**"new entrants to the marketplace have no legacy issues, all of their time & resources are expended on capturing customers & marketshare"**



# Challenge Five For Boards, CEOs & Executives

## ◆ Working On Today's Business, Developing Tomorrow's Business

Challenge Five means that boards, chief executive officers and executives need to take on two jobs:

- \* leading and managing today's business
- \* researching and creating tomorrow's business.

To successfully do both of these jobs at once requires:

- \* transformational leadership from the board, chief executive officer and executives
- \* solid insights into the future
- \* additional human and financial resources
- \* different strategies for tomorrow's business from today's business...

**"work on the new business, not just in the existing business"**



# Challenge Six For Boards, CEOs & Executives

## ◆ Funding The Unfundable

In the future, delivering services where a customer is assessed against set pricing will be a challenge for all human service organisations. Customers will be assessed and funded for a plan and its implementation, costs over and above this funding will not be covered.

In essence, services will be designed for and delivered to each individual:

- \* within an agreed price
- \* in a predetermined timeframe
- \* to a defined standard.

However, for either unfunded customers, or funded customers who are not funded for all of the services they require, the real dilemma will be how organisations fund the unfundable services or required projects.

**“funding the unfundable services or projects will be a challenge”**

# Challenge Seven For Boards, CEOs & Executives

## ◆ Customer is King, Cashflow is Queen

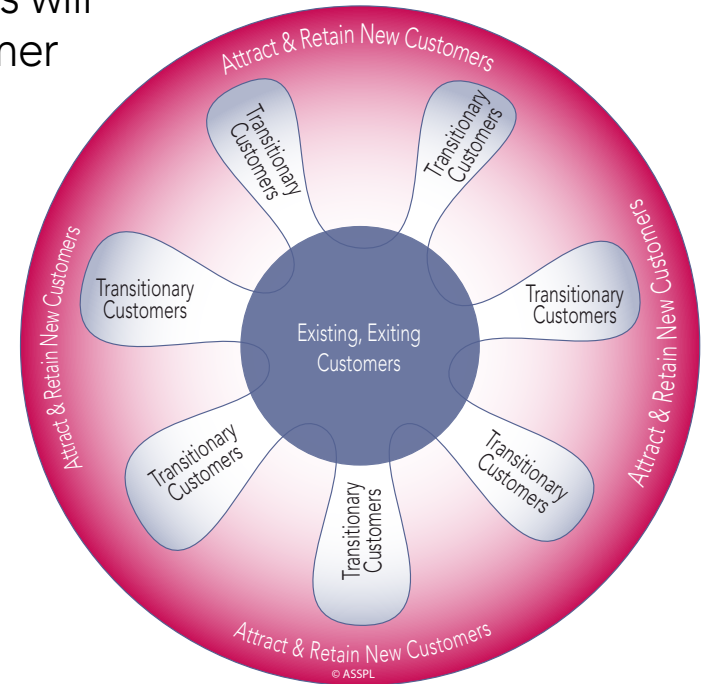
All directors, chief executive officers and executives will increasingly become acutely aware of three customer types:

- \* existing or exiting customers
- \* transitioning customers
- \* new customers.

## ◆ These three customer types will create a whirlpool of:

- \* customer flow rates and numbers
- \* customer mixes and types
- \* customer value cashflows.

**“customer is king, cashflow is queen”**



# Challenge Eight For Boards, CEOs & Executives

## ◆ Boards, CEOs & Executives, Reinvent & Regroup Yourselves

Reinventing yourself is a challenge, but the real challenges for individuals are:

- \* putting the real issues on the table, honestly and concisely
- \* being prepared to objectively discuss and address the real strategic, organisational and operational issues...

**“transformational leadership requires bold discussions & brave decisions”**



# Part Five: Transform Your Organisation, Re-engineer Your Business Model, Reinvent Your Culture



# Disrupt Or Be Disrupted...Think Uber, Think Airbnb!

- ◆ All aged care organisations are facing massive disruption<sup>1</sup> and discontinuous change<sup>2</sup> which are coming from:
  - \* Commonwealth and/or State government reforms and policies all of which are happening within relatively short timeframes
  - \* customers increasingly making the purchasing decisions, so an organisation's customer and retail capabilities really matter
  - \* customer uncertainty because of a lack of adequate, clear and concise information and/or engagement and education
  - \* boards (and chief executive officers and executives) having to address the eight transitional challenges (pages 48–55).

<sup>1</sup> *Disruption; from one paradigm to another paradigm.*

<sup>2</sup> *Discontinuous change; powerful shifts that occur within a paradigm at intervals that are disconnected or have no rhythm.*

# How Do Boards, CEOs & Executives React To Disruption?

McKinsey and Harvard research informs us as to how a majority of boards, chief executive officers and executives react to disruption and discontinuous change:

- ◆ Many organisations are prisoners of their past – the more successful that past, the harder it usually is to make the changes.
- ◆ However, customers and the market do not care about an organisation's past or its legacy issues or constraints.



# How Do Boards, CEOs & Executives React To Disruption?

- ◆ Navigating disruption and discontinuous change effectively requires directors and boards to:
  - \* understand their industry or sector big picture, policies and trends, impacts and implications
  - \* undertake the necessary strategic thinking, strategic discussions and strategic decisions
  - \* develop and execute a transformation strategy thereby reinventing their organisation faster than existing organisations or new competitors.





# How Do Boards, CEOs & Executives React To Disruption?

- ◆ Many boards, chief executive officers and executives focus on the status quo, they concentrate on the near term existing business, hobbled by significant history and organisational complexity that makes transforming difficult.
- ◆ The majority of boards, chief executive officers and executives also struggle to create a truly effective response to disruption and discontinuous change, a well researched and evidenced fact.
- ◆ A robust strategic response requires leaders to navigate all eight challenges (pages 40–47); something new entrants to the market do not need to do.





# How Do Boards, CEOs & Executives React To Disruption?

- ◆ Many leaders recognise the need to transform their organisations, but historically evidence demonstrates that only 30% of organisational transformations succeed and are sustainable in the medium to long term.
- ◆ Typically the paradigm shift of an industry and the organisations therein are on such a scale that few leaders actually successfully and sustainably navigate this profound change.
- ◆ For example, of the 700 Skill Shares only 70 went to the new market paradigm whilst 230 new entrants joined the marketplace.



# Leaders, Get In Front Of Industry Disruption

- ◆ Chief executive officers and executives must act to get in front of the disruption and discontinuous change by:
  - \* *Shifting focus*: the need to take on two jobs; run today's business while creating the business of tomorrow. To do this they should have a shared vision based on solid insights of the future, have brave discussions and make bold decisions that are documented, implemented and monitored
  - \* *Reallocating resources*: make significant changes in how and where resources are allocated and ensure that the budget process doesn't favour pre-existing business activity and projects over the development and implementation of new strategies and projects within a strategic transformation project

# Leaders, Get In Front Of Industry Disruption

- ◆ Chief executive officers and executives must act to get in front of the disruption and discontinuous change by (*con't*):
  - \* *Increasing the speed and capacity for change*: the speed and capacity for transformation must be supported by a realistic understanding of the organisation's capabilities compared with competitors
  - \* *Getting leaner*: management and administrative efficiency will be a 'must have', as many new entrants will be much more efficient and leaner than existing organisations and will have more favourable cost structures and processes.

*Cost reduction is not a recipe for success, but it is likely to be a pre-requisite for success.*

# Learnings From Other Industry Or Sector Disruptions

- ◆ *Competitor churn*: new players enter the market, but most fail. A few existing organisations are able to gain stronger positions, but most shrink, amalgamate, merge, are acquired, close or become insolvent.
- ◆ *Battles occur on two fronts*: human service organisations face both regulatory as well as competitive challenges.
- ◆ *Competitive advantage determines the winners*: when market forces become more important than legislative/regulator rules, real competitive advantage determines the winners, its adapt or die.
- ◆ *Performance differences widen*: the performance difference between the tier one and tier three players increases, and often persists for years.

# Learnings From Other Industry Or Sector Disruptions

- ◆ *Productivity and innovation increase:* strong financial performance depends on competitive advantage as well as operational efficiency – the need for continuous productivity improvements, organisational restructuring and an innovation culture and process.
- ◆ *New customer value propositions reveal new customer segments:* new customer segments will emerge as innovative services are introduced into the market and customers become more aware of their service options and their ability to choose.



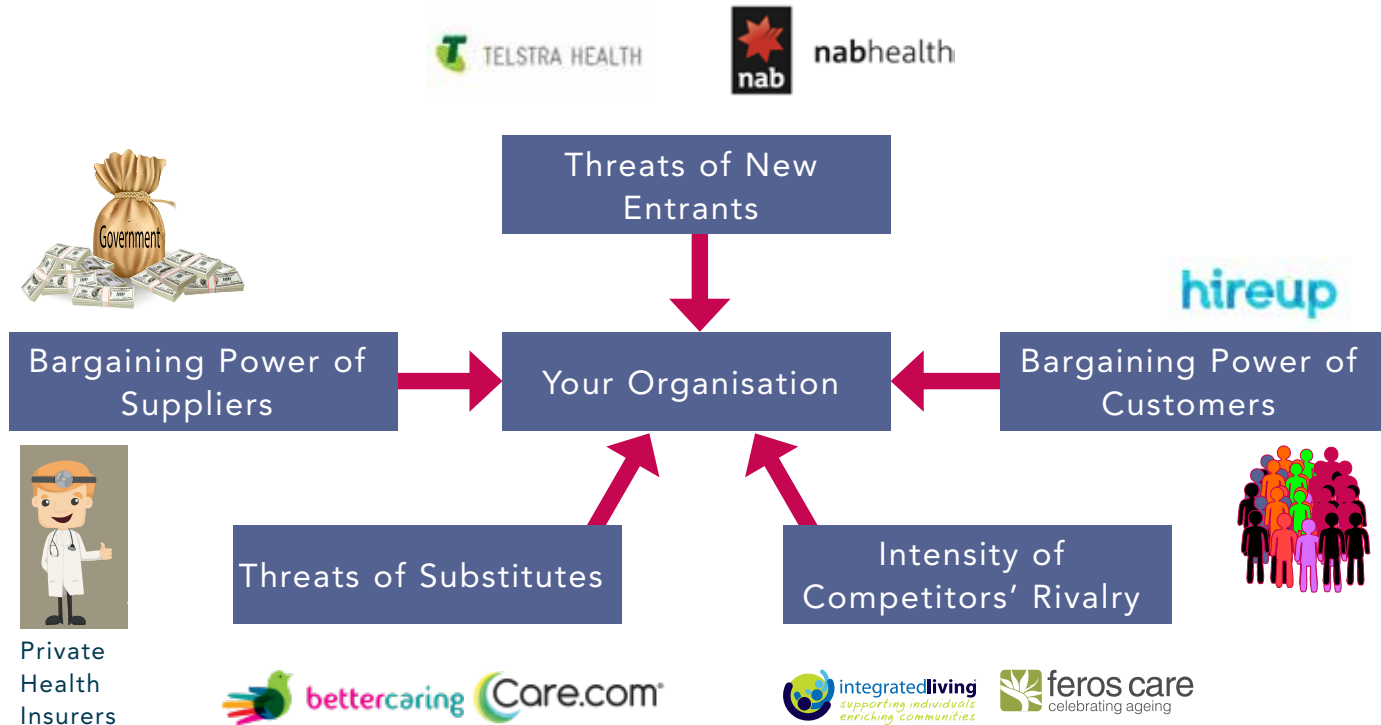
# Learnings From Other Industry Or Sector Disruptions

- ◆ *Profit pools often shift: what were the most attractive industry segments become the least attractive, and vice versa, as new entrants flock to the more attractive segments and compete away margins and profits.*
- ◆ *The volume of amalgamations, mergers and acquisitions rises: deal activity comes in waves as competitors and market forces increase, creating an ever consolidating and tiered industry, with more new entrants and fewer existing providers.*

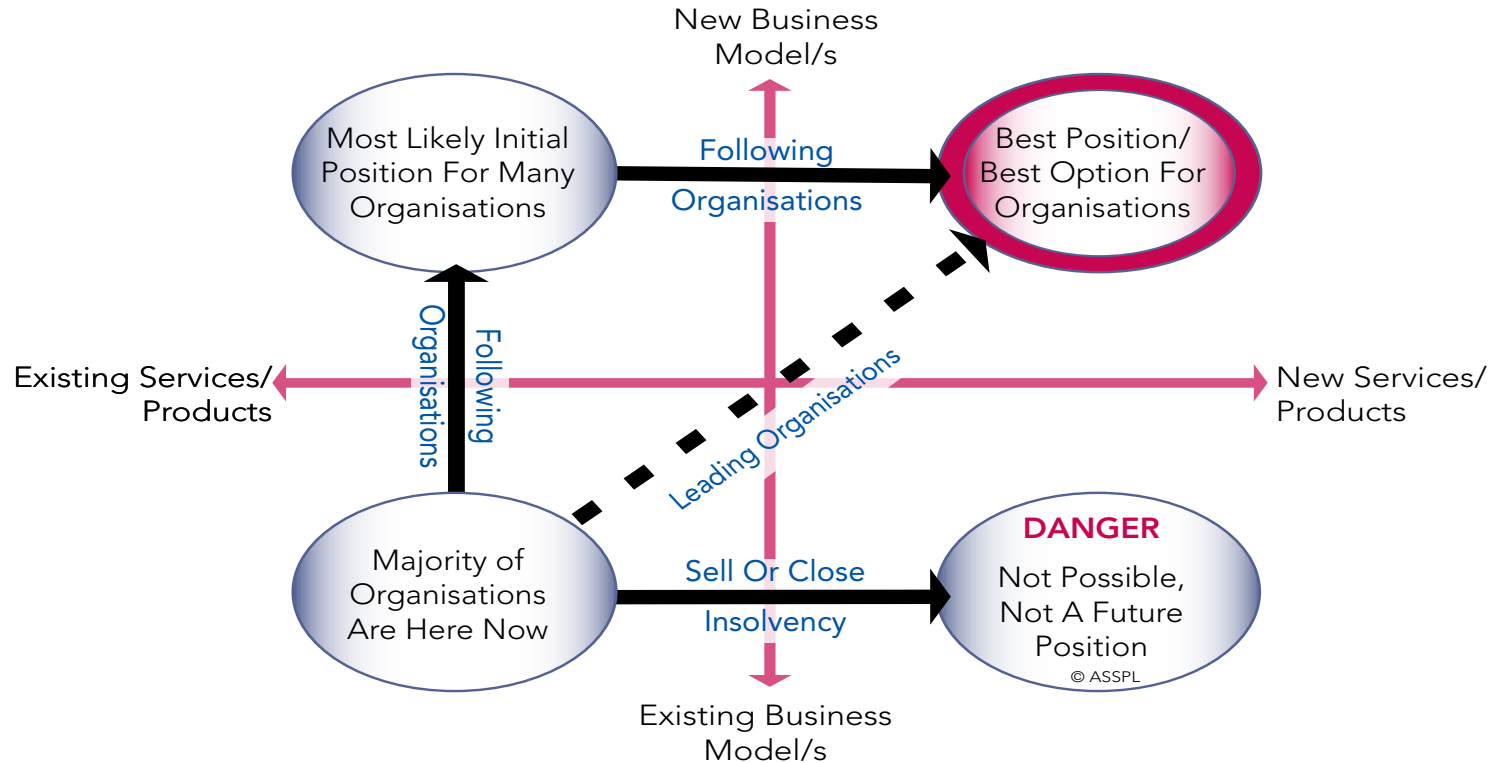


# When A Paradigm Shifts, Remember The Five Forces

## ◆ Example: Aged Care & Health Care Industry



# A New Paradigm Demands A New Business Model

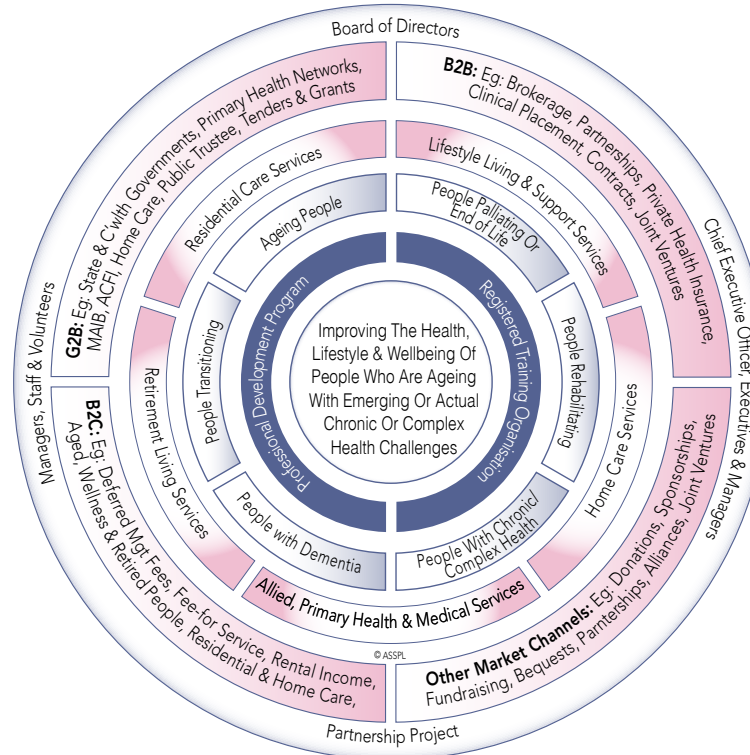




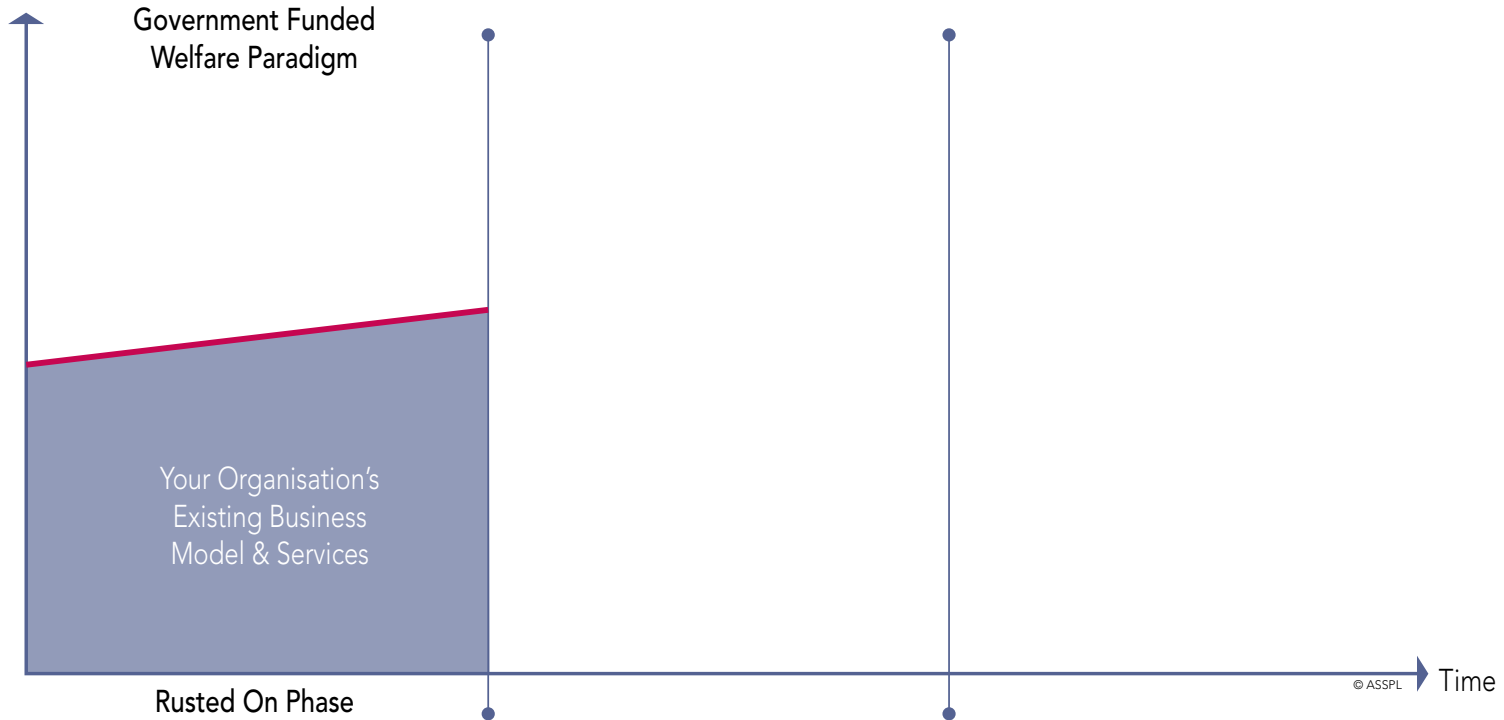


# Research & Co-design A New Business Model; Existing & New Customers, Markets, Services, Market Channels, etc.

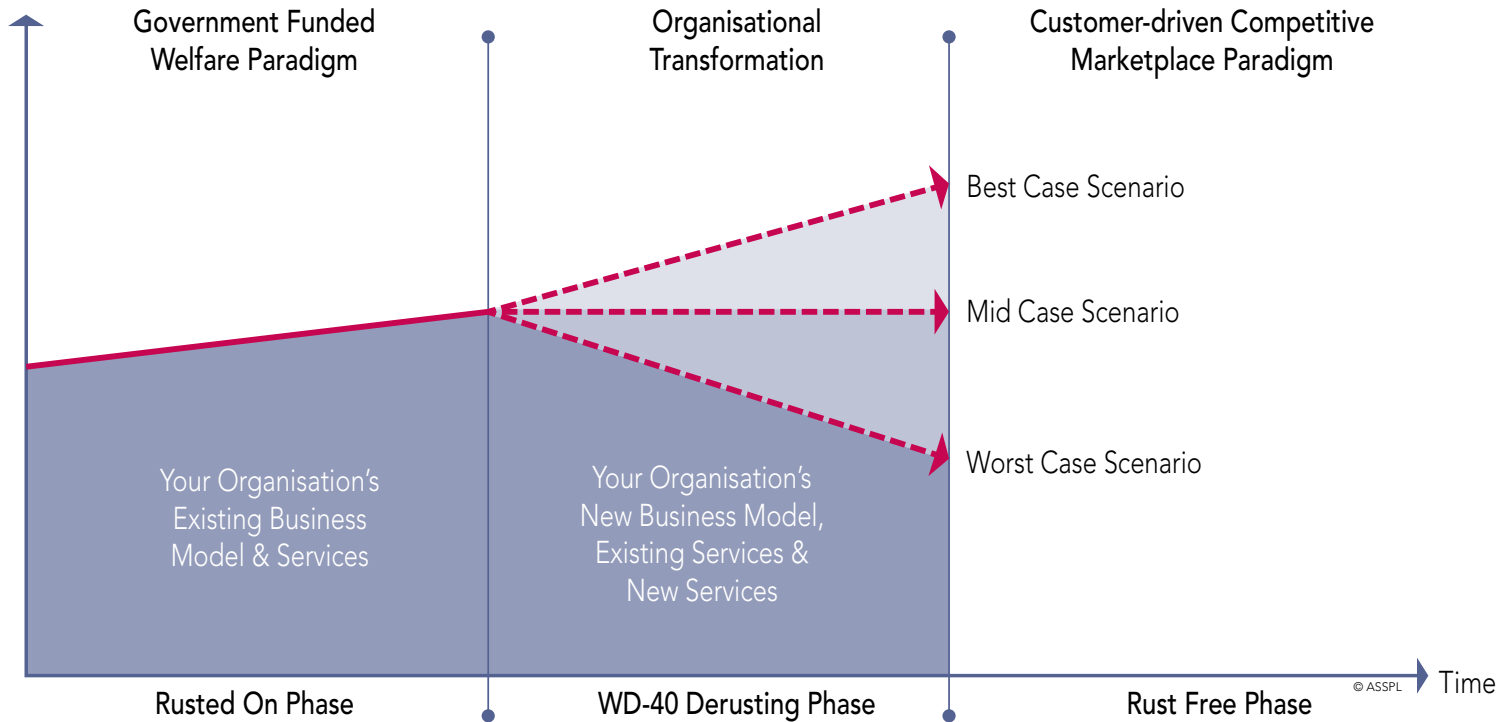
## Example Business Model Two



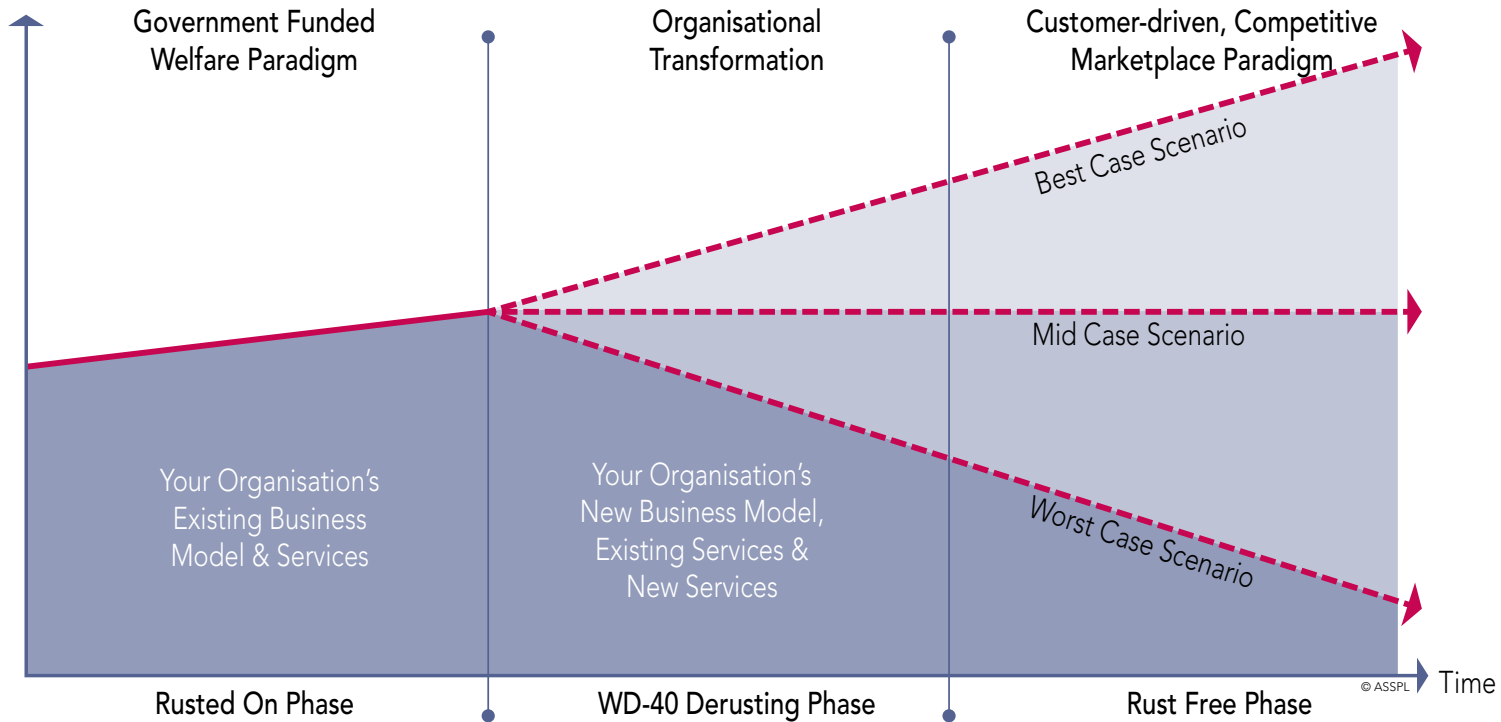
# How Are Leading & (A Few) Following Boards, CEOs & Executives Seriously Transforming Their Organisations?



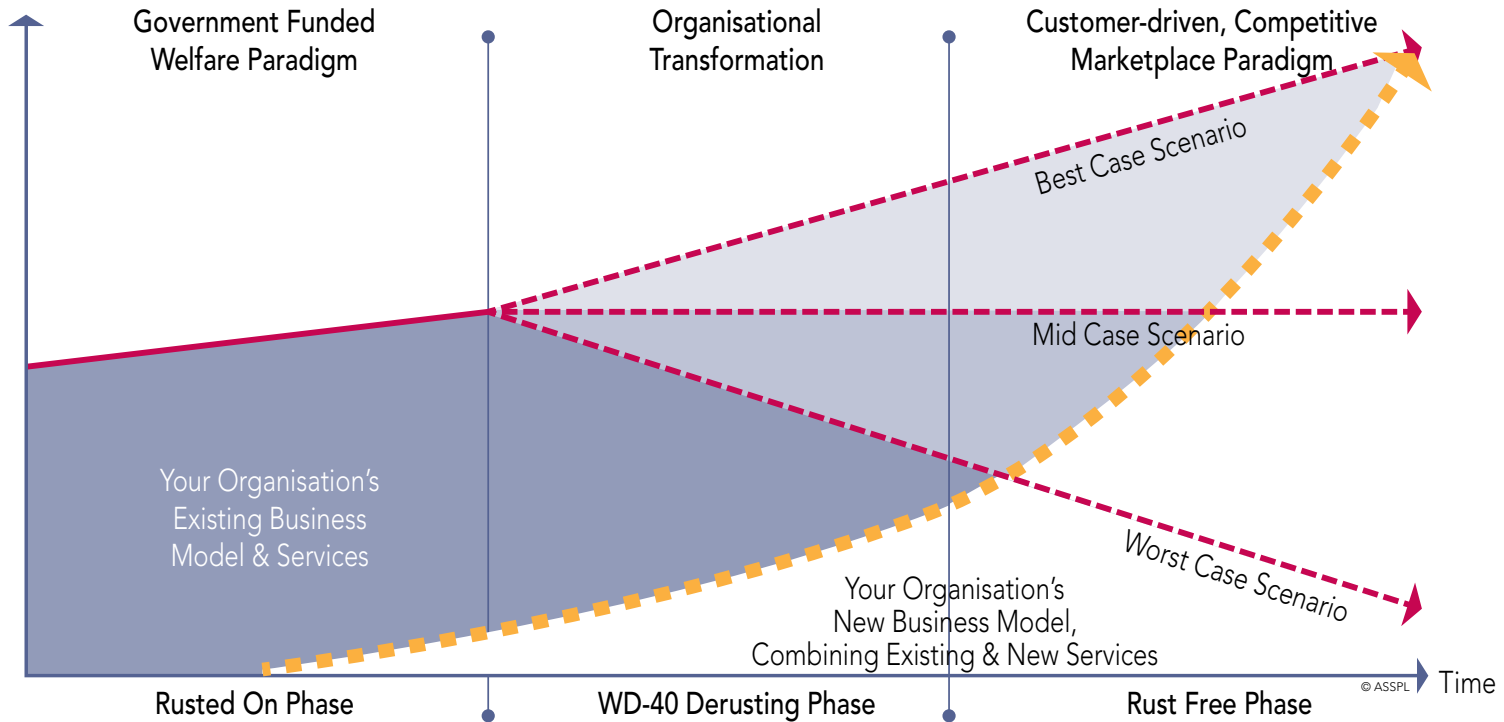
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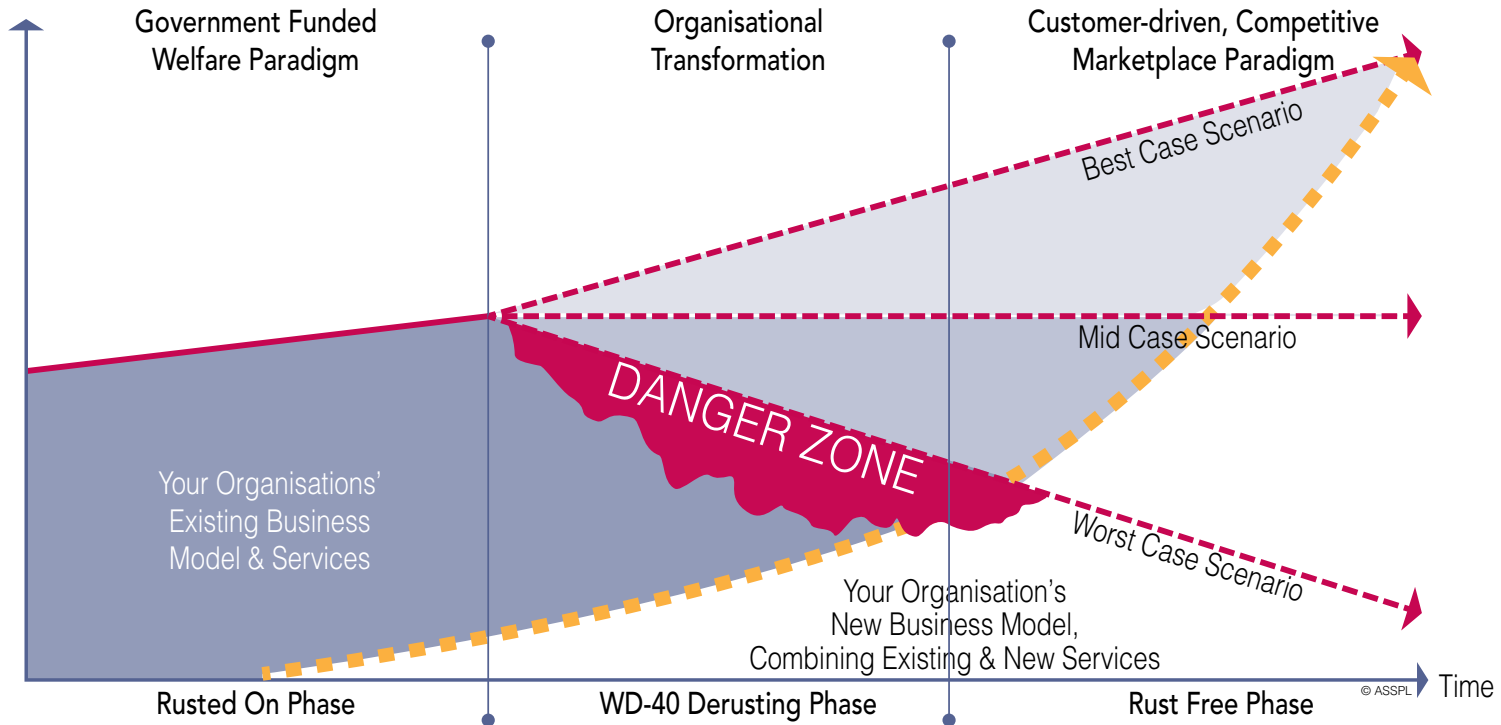
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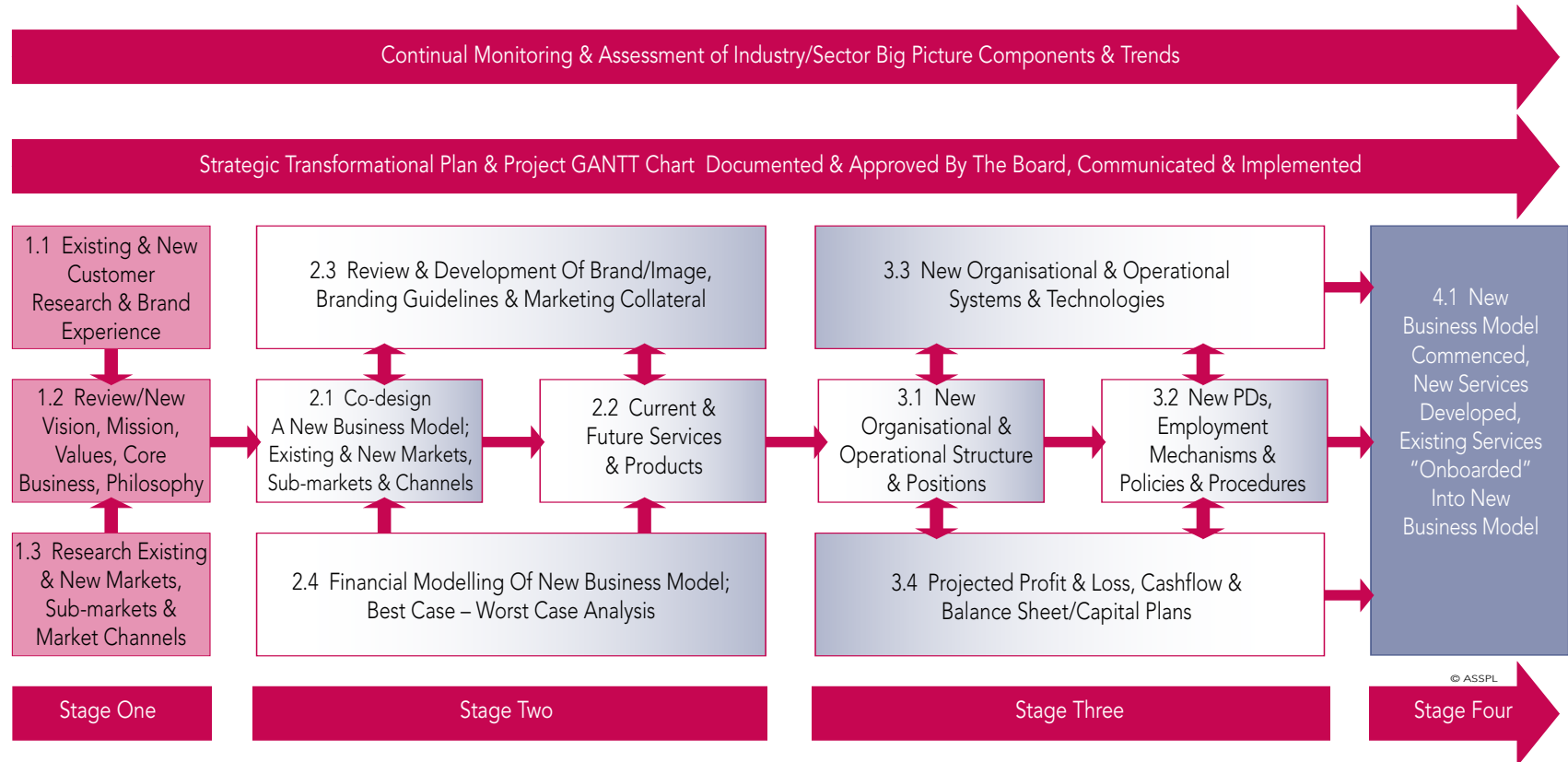
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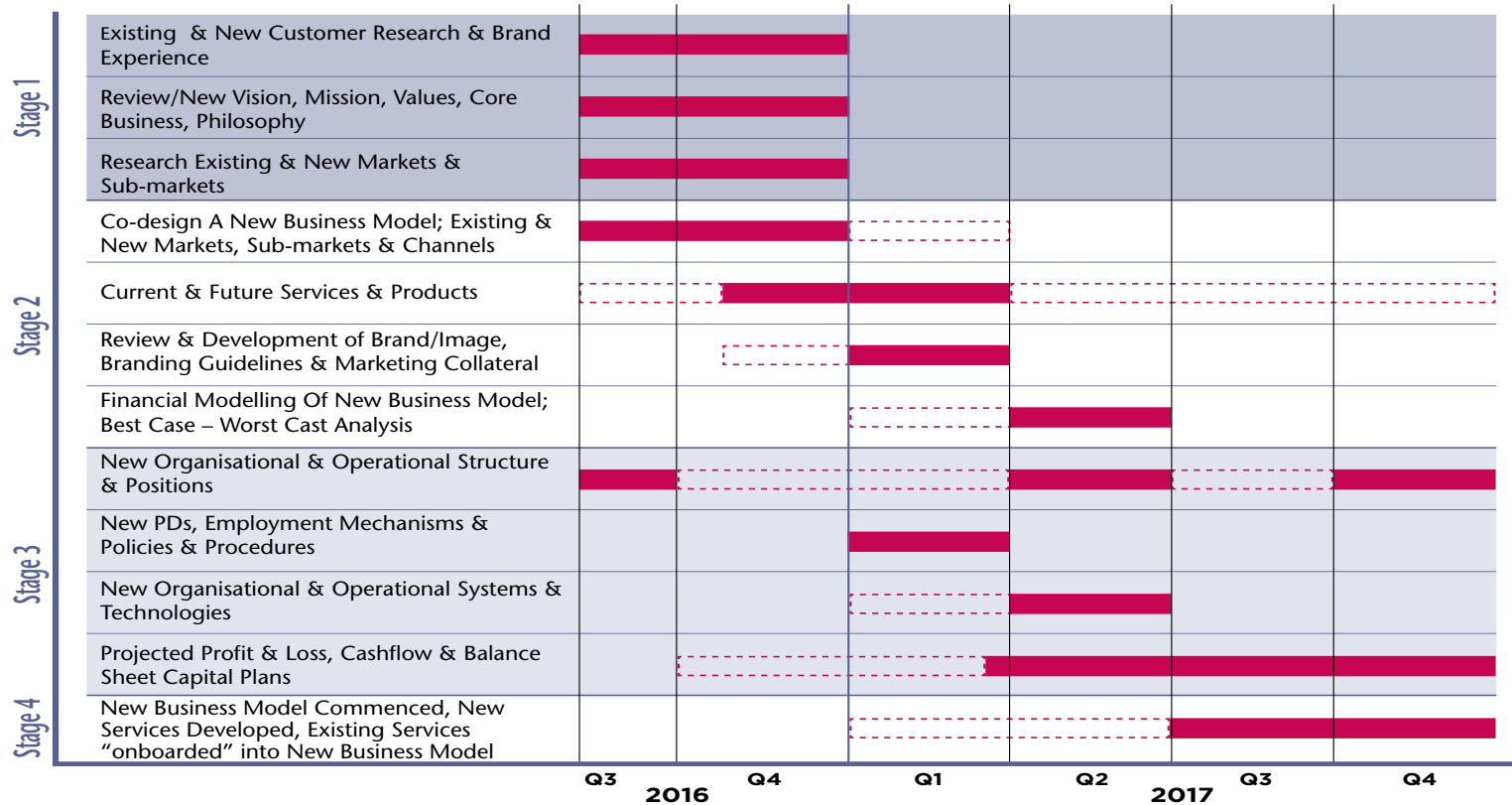


# Use A Transformational Project Flowchart





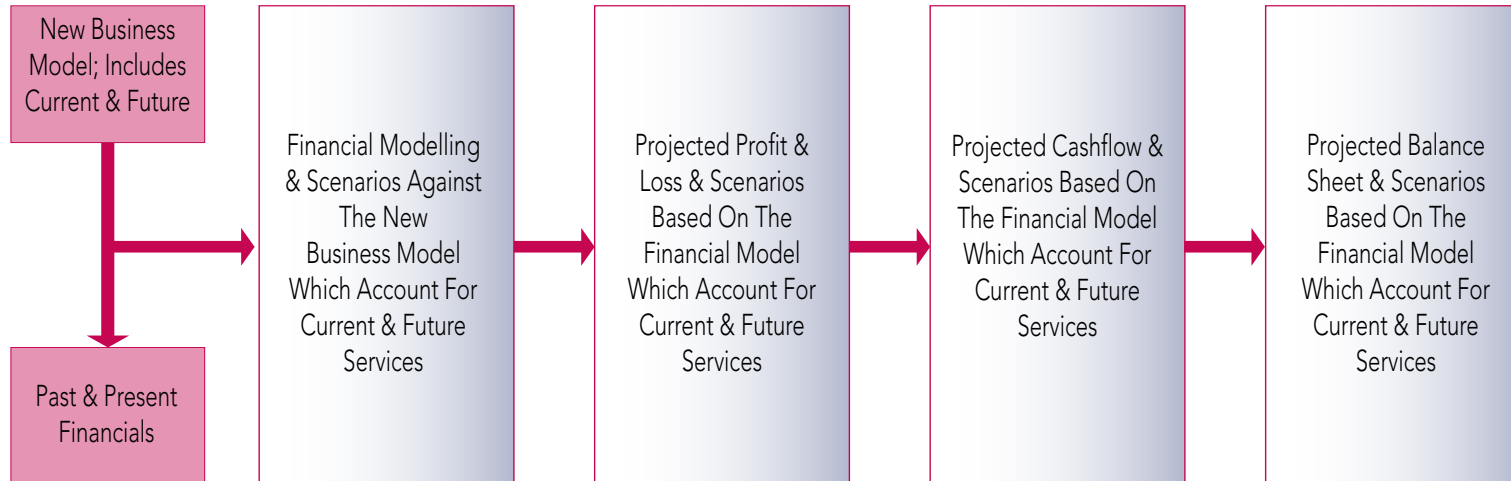
# Use A Transformational Project GANTT Chart



# Develop & Use A Financial Modelling Tool

Continual Monitoring & Assessment of Industry/Sector Big Picture Components & Trends

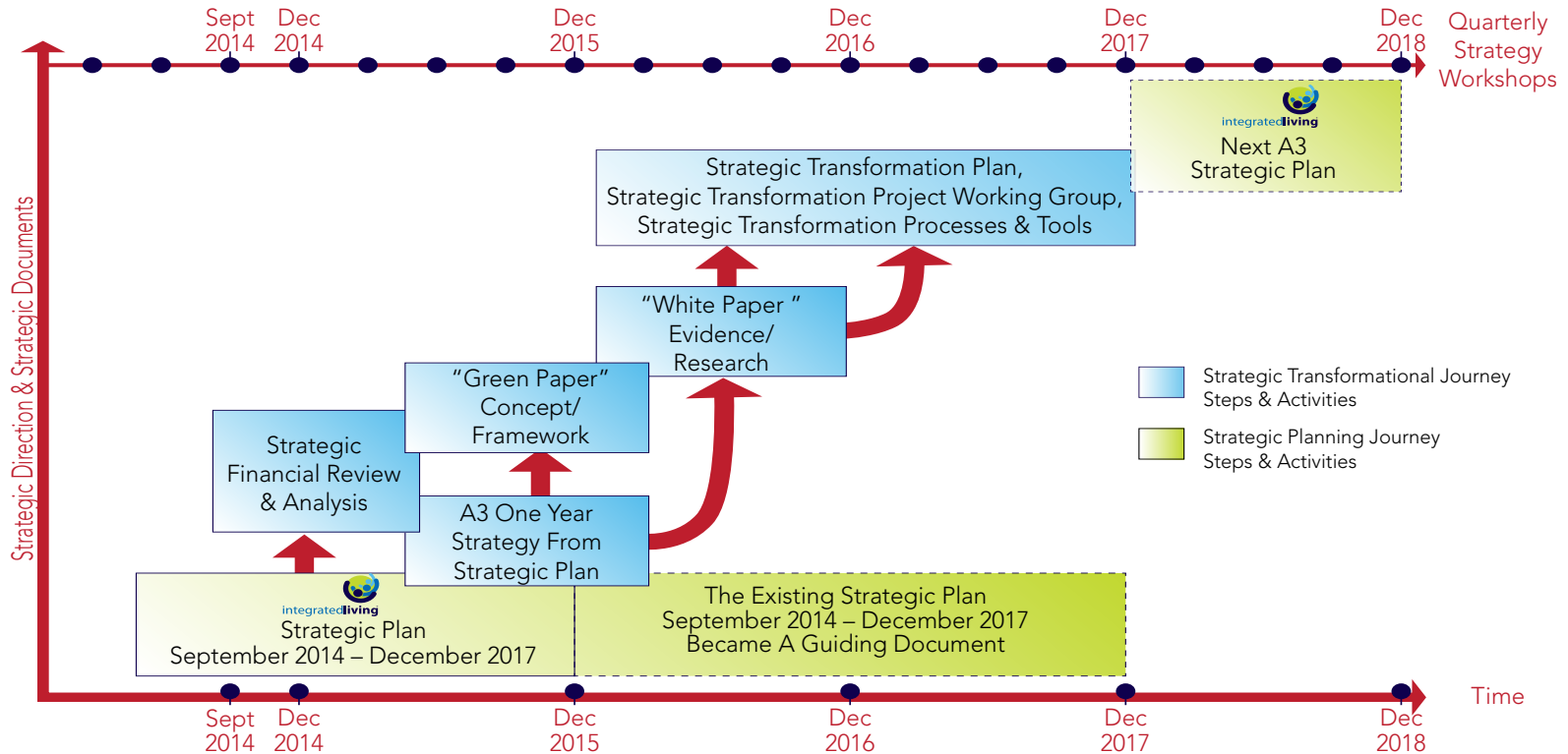
Strategic Transformational Plan & Project GANTT Chart Documented & Approved By The Board, Communicated & Implemented



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Financial Model Updated Each Month, Bringing Refinement & Accuracy

# A Transformational Case Study, integratedliving®



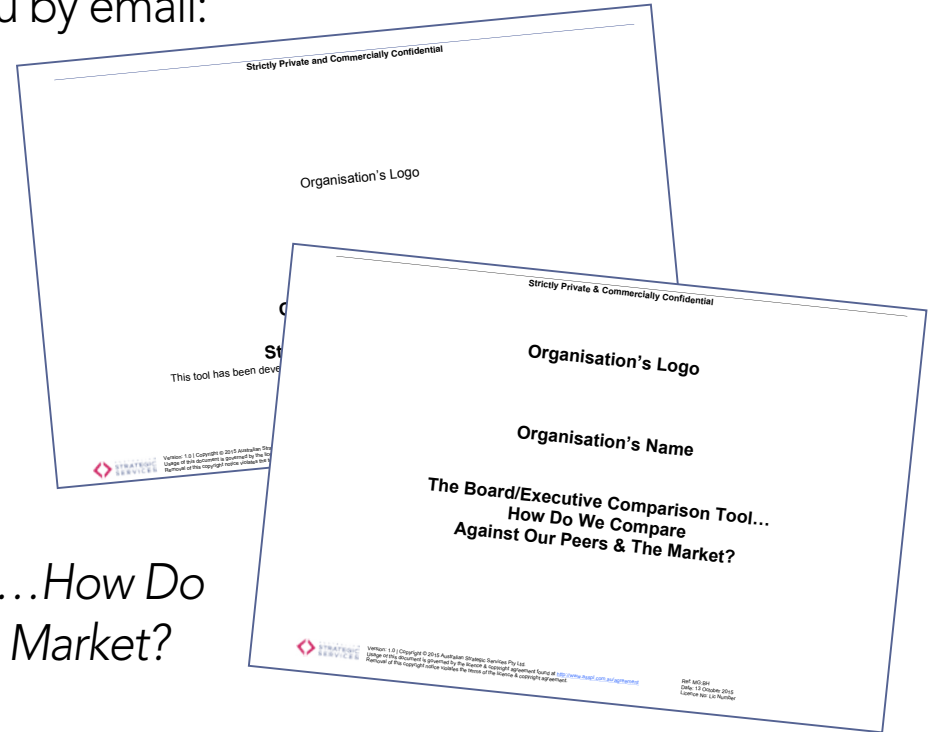
**Resources: Articles & Tools  
To Assist You To Transform Your Organisation,  
Re-engineer Your Business Model  
& Transition Your People**



# Tools To Re-engineer Your Business Model, Transform Your Culture, Reinvent Your Organisation

The following tools can be provided to you by email:

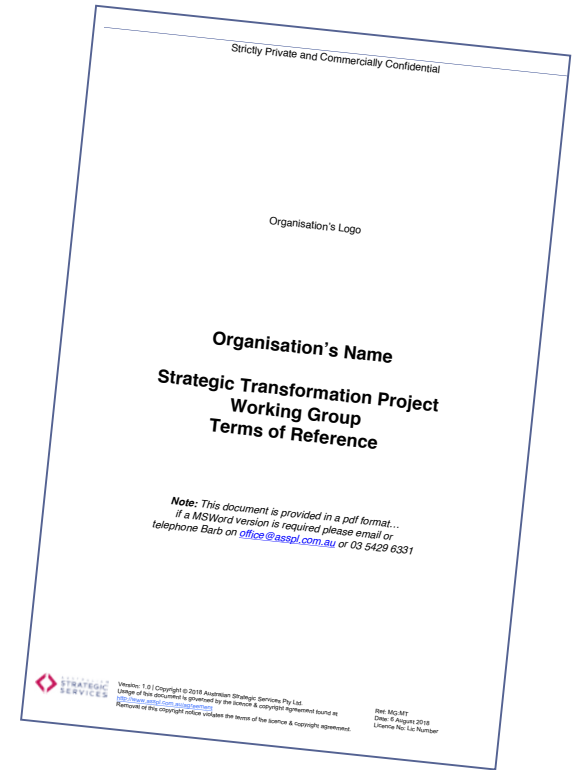
- ◆ *Achievements, Disappointments & Ideas Tool*
- ◆ *Current Business Model Tool*
- ◆ *Future Business Model Tool*
- ◆ *Strategic Transformation Project Implementation Tool*
- ◆ *The Board/Executive Comparison Tool...How Do We Compare Against Our Peers & The Market?*



# Tools To Re-engineer Your Business Model, Transform Your Culture, Reinvent Your Organisation

The following tools can be provided to you by email (con't):

- ◆ *Strategic Transformation Project Action List*
- ◆ *Strategic Transformation Project Contact List*
- ◆ *Strategic Transformation Project GANTT Chart*
- ◆ *Strategic Transformation Project Status Report*
- ◆ *Strategic Transformation Project Working Group Terms of Reference*
- ◆ *Stress Test Tool (Part 1 & Part 2)*
- ◆ *Systems Review Tool*



# What Resources Are Available?

- ◆ TAGS™, The Australian Governance System:  
An overview of TAGS™: <http://asspl.com.au/solution/australian-governance-system/>
- ◆ The TAGS™ Presentation: <http://asspl.com.au/presentation/tags-the-australian-governance-system-the-four-steps-to-boards-governing-managers-managing/>
- ◆ Winning hearts and minds in the 21st century: <http://www.mckinsey.com/business-functions/organization/our-insights/winning-hearts-and-minds-in-the-21st-century>
- ◆ Transformation with a capital T: <http://www.mckinsey.com/business-functions/mckinsey-recovery-and-transformation-services/our-insights/transformation-with-a-capital-t>

# What Resources Are Available?

- ◆ The role of the chief transformation officer: <http://www.mckinsey.com/business-functions/mckinsey-recovery-and-transformation-services/our-insights/the-role-of-the-chief-transformation-officer>
- ◆ The expanding role of design in creating an end-to-end customer experience: <http://www.mckinsey.com/business-functions/operations/our-insights/the-expanding-role-of-design-in-creating-an-end-to-end-customer-experience>
- ◆ The CEO's role in leading transformation: <http://www.mckinsey.com/business-functions/organization/our-insights/the-ceos-role-in-leading-transformation>
- ◆ Reorganization without tears: <http://www.mckinsey.com/business-functions/organization/our-insights/reorganization-without-tears>



# What Resources Are Available?

- ◆ How to start building your next-generation operating model: <http://www.mckinsey.com/business-functions/digital-mckinsey/our-insights/how-to-start-building-your-next-generation-operating-model>
- ◆ Disrupt or Be Disrupted...The Six Leadership Challenges of the New Customer-Driven Competitive Marketplace: <http://betterboards.net/leadership/disrupt-disruptedthe-leadership-challenges-customerdriven-competitive-marketplace/>
- ◆ Disrupting beliefs: A new approach to business-model innovation: <http://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/disrupting-beliefs-a-new-approach-to-business-model-innovation>
- ◆ Customer-Centric Governance... Customer is King, Cashflow is Queen: <https://betterboards.net/governance/customer-centric-governance/>

# What Resources Are Available?

- ◆ Strategy...The Key Domain of Directors, Chief Executive Officers & Senior Managers
- ◆ Disrupt or Be Disrupted...The Six Leadership Challenges of the New Customer-Driven Competitive Marketplace
- ◆ Adaptive Governance...Transformational Leadership
- ◆ Customer-Centric Governance...  
Customer is King, Cashflow is Queen

*Articles available from Australian  
Strategic Services office@asspl.com.au*



# Further Information

For additional governance or strategic transformational presentations or resources, or to discuss your board's requirements contact:

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