

## CEO Connection Calls

### Navigating the storm clouds of 2023

Summary of conversations with CEOs and General Managers in February 2023

#### Context

Over 70 CEOs and 30+ GMs registered to discuss the issues, challenges and opportunities on the horizon as they look ahead to 2023. These calls happened before and during cyclone Gabrielle, hence the limited discussion of this disaster.

From those perspectives on the wider social, economic and political context, the discussions moved to sharing what approaches and strategies they will be taking to navigate these realities while keeping the safety and wellbeing of their people.

What is on the horizon for 2023?				
Mental fatigue	Workforce challenges	Economic pressures	Political and organisational uncertainty and "change fatigue"	Silver linings
<p>The most universal challenge referenced was the wariness, fatigue or tiredness of the workforce – leaders included. This was described in different ways, but there was convergence of the drivers:</p> <ul style="list-style-type: none"> <li>combined impact of 3 years of Covid</li> <li>cost of living pressures</li> <li>extreme weather events and the emerging impacts on the East Coast especially</li> <li>increased workload on stretched workforce.</li> <li>increased frequency of blame culture</li> </ul> <p>There was widespread reports of increased levels of aggressive behaviour with public facing roles, and increased incidents of theft and property damage.</p> <p>Lack of personal resilience was referenced as a result with increased vulnerability in the workforce.</p> <p>Social volatility increases in the workplace was proportionate to community behaviour deterioration.</p> <p>The impact of remote working has brought clear benefits – but also challenges of maintaining team culture, peer support and bringing new people into the organisation.</p>	<p>Almost all businesses described staff churn and securing sufficiently skilled staff a chronic and significant challenge, specifically:</p> <ul style="list-style-type: none"> <li>Wage inflation</li> <li>Brain drain of skilled operators to Australia</li> <li>Sluggish immigration processes to access talent from overseas</li> <li>Middle managers and frontline leaders are critical parts of the workforce who are increasingly squeezed</li> <li>Lack of focus on workforce retention was seen as a big risk.</li> <li>Allowing more trust in management was also seen as becoming more difficult but identified as a major enabler.</li> <li>Complexity is increasing and demand of capability should be better planned for e.g., Climate change agenda.</li> <li>Capability depth is not readily available to execute on organisational plans and strategies.</li> </ul>	<p>Discussions in this area largely landed in three areas:</p> <ul style="list-style-type: none"> <li>Significant <b>cost increases</b> on materials (construction), core services (transport especially) and wages.</li> <li><b>Demand side volatility:</b> (note – many of these discussions occurred pre Cyclone Gabrielle) <ul style="list-style-type: none"> <li>A number of construction leaders talked about softening demand (despite huge needs) out of the private and public sectors</li> <li>Tourism business described bullish demand side growth with significant increases in international visitors</li> <li>Local government described unprecedented growth in demand for their services – especially waste, water and roading.</li> </ul> </li> <li>Delays in <b>critical investment</b> and maintenance: <ul style="list-style-type: none"> <li>Cashflow pressure in organisations was seeing decisions to delay and put off planned and programmed expenditures.</li> <li>Asset management/maintenance was also seen as a risk as cost pressures have decayed asset protection</li> </ul> </li> </ul>	<p>The vast majority of organisations reported going through significant "post-Covid" transformation or reorganisation – some motivated by the need to reduce costs and lift efficiencies, others to take advantage of shifts in their sectors.</p> <p>Businesses operating in the local government, infrastructure and health sectors all reported the ongoing and layered impacts of significant government reforms:</p> <ul style="list-style-type: none"> <li>Three Waters</li> <li>Local Government Reform</li> <li>RMA Reforms</li> <li>Health Reforms</li> <li>De-carbonisation</li> </ul> <p>Government spending / major decisions being delayed in this election year will be seen a "slowing down" or "pausing" of activity</p>	<p>Amongst the many challenges, a number of opportunities or silver linings were identified that had come out of recent years:</p> <ul style="list-style-type: none"> <li>Mental wellbeing is now a normal part of business discussions in a way it wasn't 3 years ago</li> <li>Work flexibility options (e.g. location, tenure, rostering) are now proven tools that leaders now have more access to</li> <li>Transparency and the need to adapt approaches as the context shifts means challenges can be talked about more</li> <li>We have real and recent examples of what we can overcome when we need to in our response to a global pandemic</li> <li>Building more trust in management teams as the needs become clearer on what is needed.</li> <li>Resilience of organisations is seen as a strong need going forward – planning for uncertainty is a major strength.</li> </ul> <p><i>"The engagement between management and our people has never been closer"</i> - GM</p>

What approaches and strategies will we need?		
<p>Culture will need to do some heavy lifting</p>	<p>“Wellbeing” is the air in our businesses’ tyres</p>	<p>Maintain laser focus on what matters – critical risk controls and their effectiveness</p>
<p>There was strong acknowledgement that culture is effectively “brand equity in the bank” with your own people and to prospective talent.</p> <p><i>“The last 3 years’ investment in our leaders, people and culture is paying off in every way” - CEO</i></p> <p>There were numerous examples from businesses where people had left for more money and returned 3 months later for the culture.</p> <p>One CEO spoke about how in an <i>uncertain</i> world, culture enables the business and leaders to provide <i>clarity of purpose</i> and <i>clarity of values</i>. Practically, this was being demonstrated by:</p> <ul style="list-style-type: none"> <li>• Increasing the <b>transparency and regularity of communication</b> with the workforce</li> <li>• Sharing stories and narratives not statistics - one CEO said he wanted “conversations not audits”</li> <li>• Not losing sight of <b>maintaining key systems</b> and tools working well</li> <li>• Investing in <b>frontline supervisors</b> with formal development</li> <li>• Doing more <b>face-to-face</b> whenever possible</li> </ul> <p>A number of CEOs talked about the importance of “doubling down on trust”.</p> <p><i>“We need to trust the culture, to enable our people to trust the business, trust their colleagues, trust our customers and trust themselves” - CEO</i></p> <p>Practically, one CEO said trust meant giving middle managers and front-line teams more permission and scope to be responsive and flexible about <i>how</i> expectations gets delivered, <i>when</i> that gets done and <i>how much</i> gets done over the course of a week, month or quarter.</p> <p>Trust in the workforce is an area to build so that more empowerment is then translating to better and more confident accountability. Be honest, keep in touch !</p> <p>Reliance on advice that is solid rather than second guessing is spinning wheels. The ability to rely on sound guidance and make decisions based on this is essential.</p> <p>Visible, Felt Leadership is needed.</p>	<p>In recognition of the last 3 years’ challenges, the mental and financial wellbeing of the workforce was a top focus discussed on all calls.</p> <p>There was clear value and importance in “<i>keeping the finger on the pulse of where our people are at</i>” so leaders can respond and support them. Organisations talked about the importance of:</p> <ul style="list-style-type: none"> <li>• Regular engagement surveys and pulse checks</li> <li>• Encouraging supervisor and manager conversations with frontline workers</li> <li>• Work-related wellbeing risk workshops</li> </ul> <p><i>Executive wellbeing</i></p> <p>The importance of executives maintaining and modelling good wellbeing practices was also a shared theme in a number of calls. CEOs talked about the value of informal and safe networks where they could “safely” acknowledge that “<i>sometimes and somethings were simply shit</i>”.</p> <p>At least 2 CEOs had registered for the Forum’s <a href="#">Be Well to Lead Well</a> executive wellbeing programme to deliberately focus on their own wellbeing.</p> <p><i>Financial wellbeing</i></p> <p>Given the increasingly challenging cost of living realities, a number of organisations offer a range of “financial wellbeing” support options to support their people make sense of their options. Other organisations have stood up some “hardship funds” to support acute cases of financial hardship”.</p> <p>Another organisation had identified that large numbers of their younger workers were struggling with “life admin” and so had started to explore how they could provide “life skills” support.</p> <p><i>Changing the work not just the people</i></p> <p>The biggest work-related wellbeing risk was fatigue from over stretched teams due to labour shortages. Two practical responses to this chronic challenge included:</p> <ul style="list-style-type: none"> <li>• deliberately over staffing in identified work areas to better spread the workload and work pace</li> <li>• A number of organisations had made the conscious decision to reduce production capacity to ensure work demands on the teams were reasonable – even though that meant leaving “money on the table”.</li> </ul> <p><i>“When you’re sailing in rough seas, a good sailor trims their sails to suit the conditions” - CEO</i></p> <p>Another CEO indicated that their big realisation over the last year had been that work design was a tool in the wellbeing toolbox – in large part through exposure to the Forum’s <a href="#">Mental Wellbeing Sensemaking framework</a>. This had resulted in a range of “flexibility for all” approaches, including options for location dependent workers. At the bigger end of changes, they were now actively considering stepping back from delivering a whole service line because of its wellbeing toll.</p> <p>The focus on letting go of what is not as important, and focusing on the necessary was seen as an opportunity. Release the “clutter” and ensure that teams have support in doing more effective work that drives value rather than work that drives to minimal value. Prioritisation was also seen as a necessary part of the next 18 months.</p>	<p>There was almost universal acknowledgement that 2023 will involve a huge number of distractions and competing demands on executive and board attention. For many businesses, it was agreed that this would likely involve efficiencies and austerity – bringing a heightened and unintentional risk of key safety capability and capacity being undermined.</p> <p>The recurring response to protect and foster this capability was the importance of maintaining laser focus on:</p> <ul style="list-style-type: none"> <li>• Understanding <b>critical risks</b></li> <li>• Understanding the <b>critical risk controls</b></li> <li>• Monitoring, testing and ensuring the <b>integrity of those critical controls</b></li> <li>• <b>Measurement</b> of the indicators that would give insights to variations that are early signals to adverse outcomes and course correct.</li> </ul> <p>Some leaders indicated that the critical controls would be part of testing austerity measures against.</p> <p>Others spoke of maintaining active executive team and board time focusing on the effectiveness of the critical controls. At the site level, one leader talked about ensuring risks and their controls were kept “alive” through reinstating in-person “safety rituals” that had been lost during Covid.</p> <p>Assurance on what is happening in organisations could unlock many opportunities to do better during times of uncertainty. Monitoring the things that need “paying attention to” rather than auditing for the sake of it.</p> <p>Keeping people first, focus on our “duty of care” to focus on people and their needs. Unlocking the ability to drive better outcomes through consistent and sound leadership.</p>