

A TOUGH CHALLENGE LEADING PEOPLE

Thank you for those remarks.

Good evening ladies and gentlemen, it is a pleasure to be able to address a milestone dinner of Leadership Victoria on its 20th Anniversary. Congratulations to all involved in this enterprise.

Quite apart from celebrating this 20th anniversary, I will attempt to provide you with a practitioner's view of leadership in today's business world in 15 minutes.

I will couch my remarks from a corporate perspective, but the principles of leadership do not change, so I hope those from different endeavours and disciplines will be able to resonate with my thesis.

I don't think anyone here will argue that over the last ten years business generally has undergone massive change.

Buzz words like re-engineering, re-tooling, restructuring and globalisation became part of the business landscape.

A new mantra, "better cheaper and faster" has become the norm.

Many businesses have become strong, lean, efficient organisations. Yet under the surface of short term profit imperatives, in the absence of strong leadership large companies in particular can be emotionally volatile and vulnerable; mistrust and cynicism can emerge and tensions can simmer between leaders and followers – a phenomenon that is not readily apparent to the outside world.

In today's knowledge economy, people are the intellectual assets that make things happen; the cost of mismanaging them can be disastrous.

In my experience of leading people, success goes to those enterprises whose leaders mobilise their people and unleash their competence, creativity and commitment.

Leading people on the other hand can be hard work. It is full of tensions and trade-offs, celebrations and disappointments.

Mr Don Argus AO
Chairman, BHP Billiton

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The most successful leaders that I have had the pleasure to work with or observe, and about whom I will speak shortly, have a profound understanding of themselves, of the motivations of people around them and of the external challenges their enterprises face.

Now, with that preamble I am going to switch direction and see if I can paint a picture for you of the leadership challenge, through an interview process I undertook with the Global CEO of McKinsey – his subject was CEO Transition.

I expect that everyone in this room has been involved with leadership transition or have aspirations to become a leader.

Let me be a little provocative - for those of you with aspirations to be a CEO and/or a leader of people, can I suggest that intellect and skill alone will not deliver this to you.

In my 50-odd years in the business world, I have noticed those people who were able to grow their enterprises were the ones who understood human nature and how to tap the best in people – they understood that the bottom line is ultimately the result of human endeavour.

Something else has surprised me over those 50 years; this is that corporate leaders who did understand the human side of their business, and who were most effective motivating and mobilising their people, were operating mostly by instinct.

Just like entrepreneurs, these leaders were acting from the profound intuition that profits follow principles.

Why were these past leaders with all the immense resources at their disposal going with their “gut”? Because there was no solid data to make the case to invest in people.

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Corporate accounting, so sophisticated when it came to finances and hard assets, had been downright primitive when it came to measuring human assets. At the time it could not prove how different management techniques affected employee performance, and it certainly couldn't tell leaders how to maximise their workers' creativity and commitment.

That era thankfully has passed and we now talk about high performance enterprises that nurture and tap the talents, ideas and energy of its people.

I now observe that healthy enterprises start from core human values, such as Trust, Integrity and Teamwork, and they balance the needs of all their stakeholders – employees, customers, shareholders and the community at large.

They do not do this merely because it is right and fair. They do it because it is better business as it gives them the profound and enduring competitive advantage of a fast, flexible work culture, where employees act like they own the business, learn on the job and care deeply about their charters and vision statements.

Now, let me get back to my CEO Transition questionnaire.

Just for the record, I have been involved with or closely observed twenty CEO transitions over the last 25 years.

The first question that I had to answer was: How did you form a view of what was really going on in the Company and how you were being perceived?

From a personal point of view in 1990, when I became CEO of NAB, I considered myself fortunate that I was an internal appointee and had been heavily involved with the Strategic Direction of the Company prior to my appointment.

I had a good understanding of the business and the culture of the organisation, and I was quite pleased that I had been readily accepted by the majority of the workforce.

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My first task was of course to paint a picture of where I wanted to grow the business and then create a common purpose or partnership with all the employees.

Some of you will remember in 1990 we had only become liberated from the shackles of a very regulated Banking system, so I had the task of encouraging our people to engage in outcome thinking which rarely occurs in a heavily regulated work environment.

We did unleash some marvellous talent and this assisted in building the high performance team which existed during the 80's and 90's at NAB.

In contrast, I compare my experience with Paul Anderson who was brought in from outside the organisation to redirect BHP after a period of suboptimal performance.

Paul proved to be a great visionary, he quickly created a common purpose for the employees, he encouraged outcome thinking by requesting the employees to advise him what was wrong with the enterprise, but also what was required to fix the perceived problems.

Through this methodology he was able to navigate an extensive change process and commence the maturing of a high performance culture.

I have found that businesses and employees know what they need and want. They will tell you if you are willing to listen and listen hard.

But most of us do not listen well.

We get too immersed with the pace of the world around us and are pre-occupied with where we are going. We spend too much time thinking about how to respond to, or one-up, the person talking to us.

Good leaders do listen well. They understand that people have a need to see, touch, and feel their leaders, and that the leaders have a need to see and understand the business.

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Good leaders such as Paul Anderson used their listening skills to have dialogue with others. They engage in conversations for learning and possibility, they seek to deepen understanding, clarify perspectives and find new ways of solving problems.

To Paul, the link between deep listening, dialogue and higher productivity from outcome thinking was very clear.

Let me stay with BHP and subsequently BHP Billiton for a little while.

Chip Goodyear was thrust into the CEO's role when the Board and Paul Anderson's successor, parted company through irreconcilable differences - quite an unsettled period for someone transitioning to the CEO's role.

Chip was untried and young, and some questioned his experience to lead a large complex company that was only just settling down after the merger between BHP and Billiton.

Chip did not lack intellect or financial skills. He realised that he had to quickly develop a trusting relationship with his people.

Trust, as you know, is the glue that holds relationships together. In fact, without trust nothing works well.

Trust for me has two parts.

Being **trusting** – the ability to believe in others

and

Being **trustworthy** – being worthy of others believing in you

It is the leader's job to make sure both elements are present throughout the organisation. Chip pursued this principle extremely well.

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He was **genuine** – it was important for people to touch and feel him as a real person.

He was **reliable** – his word, whether spoken or written, was credible.

He was **dependable** – he made good on his promises whether declared or implied.

He was **predictable** – being consistent makes it safe for people to be vulnerable and work together.

And he was **benevolent** – he had the capacity to put aside self interest for the good of the group.

There is no doubt in my mind that in a complex and chaotic world a leader who is consistent and predictable helps the people who work for him or her feel secure. Since they know the ground is not going to shift under their feet, they are open to new ideas. They are willing to take risks.

The converse is also true. If the leader does not provide a feeling of security, people can find the world of work a stressful and unpredictable place. People can't survive under these conditions for too long. They get frustrated and angry and unwilling to try anything that's new.

This of course can often lead to those circumstances to which I referred earlier, that is, the emotionally volatile and vulnerable workforce where mistrust and cynicism prevails.

It is not the case at BHP Billiton, but I have observed this in one of the other companies where I was a Director. It does take enormous effort to change.

I have a strong belief that being solid and predictable makes it safe for people to work together to take risks, and to expose themselves even when the rest of their lives is filled with complexity and chaos.

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Now let me give you my fourth example of a CEO transition - again using BHP Billiton as an example. This time we were able to control the strokes and introduce a process that had integrity and removed subjectivity from the decision.

Prior to the appointment of Marius Kloppers we had four candidates and even had time to test the profile of the Board's preferred candidate with the outside market.

The outcome from that process is now history with Marius having held the CEO's position for two years and what a baptism of fire he has endured. The Global Financial Crisis, the various iterations of our proposed partnership with Rio Tinto and he has succeeded where many have failed in devolving authority and accountability to the business units in the BHP Billiton group.

Marius quickly realised that many organisations smother the potential of their employees under layer upon layer of control and bureaucracy. As a result the human assets are painfully under-utilised, not only in a business but in non-profit organisations and Governments.

What is really being under-utilised is what might be called "peoples' discretionary effort", that is, performance above and beyond the expected minimum. It is their initiative, creativity, motivation and loyalty.

This discretionary effort is the part of a person's performance that is liberated or shut down by the way they are treated by their leaders and the quality of their work environment.

Marius has done a marvellous job here.

He has devolved authority to his workforce, with accountability, he communicates his objective and plans with simple messages and clear goals.

He has created a fast flexible organisation, he shares power, trusts people's competence and judgement, and has created leaders at all levels of the organisation - people understand personal accountability.

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He fully understands that under his devolved model his power is outside himself. It rests with the people he is responsible for. He has abandoned much old baggage of dominance, control and self-centredness.

This does not mean an abdication of responsibility. He has retained not only his vision but overall accountability for the Company.

Not only has he achieved a model which others aspire to, but he has developed a team of people that know how to make things happen.

The skill to make things happen of course grows out of a deep understanding of people's needs and aspirations. It also comes directly from blending two sides of the leader's personality – the tough competitive side that demands winning performance and loves to win, and the softer compassionate side that is caring and understanding of others.

There are many theories about leadership and I have only given you a few examples which flow from one question in a series of ten on CEO transition.

You will no doubt develop your own theories or have developed your own principles to augment your intellect and skills.

Learning to lead starts with getting to know yourself. You must first dig deep and get your own house in order before you can lead others.

Each of us carries emotional baggage around from childhood. What mental models do you hold about yourself and others?

What are your greatest fears and most vivid aspirations?

What values and principles really matter to you?

You need to bring all these thoughts and attitudes to the surface and understand how they influence your day-to-day behaviour.

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If you wish to strengthen your leadership capabilities you need to understand yourself at a deeper level, and closing the gap between your ideal and your current performance is essential.

You have to start by understanding your external self, that is, the part of you that people see on a daily basis.

Examining your relationships across the aspects of your life is an excellent way to assess your ability to lead.

Some of us interact positively with certain types of people. Others know the right way to act but lack the necessary interpersonal skills. Others deal badly with crises and we all know people who are blind to their own flaws.

The best way to improve your leadership skills is to find people to practice with. Ask them for feedback and listen carefully to what they have to say and then re-test yourself as to whether you really have heard their appraisal.

I will close with this message.

I believe there are some marvellous opportunities in this country but we do require responsible leaders.

Each of us has enormous potential to lead, and each of us can take a stronger role in leading our families, schools, workplaces and communities.

I have given you some examples of leaders who have excelled and know how to compete. They know how to make the most of their resources.

But it's their people who make the deciding difference; they are the engine for growth and productivity.

Mature, wise leaders make it happen.

Thank you for your attention and please enjoy the 20th Anniversary Celebration.