



FIRESIDE

STORIES TOLD DIFFERENTLY

GERRY HARVEY AND THE UNRETIRED WORKFORCE

WORKPLACE WELLBEING

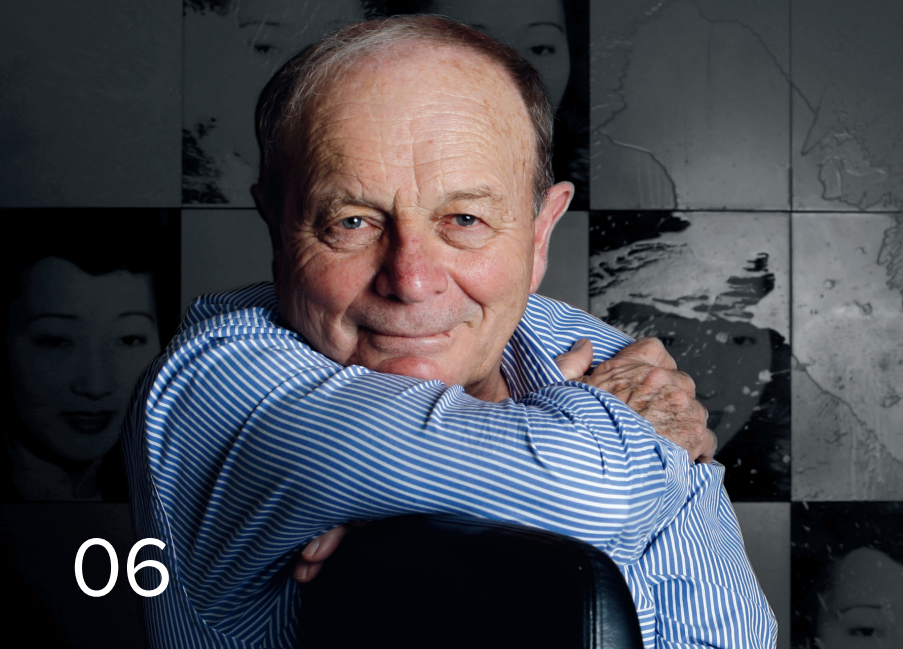
How top employers
attract and retain talent

CHANGING OF THE GUARD

Managing unexpected CEO
departures amid a crisis

HUMANS VS MACHINES

AI and big data, changing
the nature of investing



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WELCOME TO THIS EDITION OF *FIRESIDE*

As the year winds down for some, the prospect of legislative change and new prudential standards will continue to preoccupy the business and finance sector. Preparations are being made to meet new reporting requirements and deadlines, from Putting Members' Interests First and the member outcomes test through to modern slavery and new remuneration requirements.

Indeed, change is a common theme in this edition of Fireside, highlighted by our cover story on the growing urgency for organisations to address the next pressing workplace issue – age diversity. While millennials, gender and cultural diversity have garnered recent attention, experts agree there's a need to focus on managing our rapidly ageing workforce. It's time to reassess our attitudes to retirement, as exemplified by retail giant Gerry Harvey, who, like many of his business contemporaries, is showing no signs of slowing down.

Managing change at the top is the focus of another of our stories, exploring how organisations should deal with CEO succession in the wake of scandal or an unexpected departure.

Lastly, thank you to all those who provided such positive feedback on our July launch edition. We hope you enjoy this edition just as much and we look forward to our ongoing partnership with you as we navigate change together.

Jo-Anne Bloch
Head of Industry & Public Sector Funds
Mercer Australia



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In Edition One of Fireside, the article 'Artificial Intelligence powers workforce at Woodside' contained factual inaccuracies which have been corrected in the online edition available at [Mercer.com.au/Fireside](https://www.mercer.com.au/fireside). We apologise for the errors, please refer to the website for the updated version.

COVER IMAGE: Gerry Harvey **PHOTO CREDIT:** Nic Walker

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LOOKING FORWARD

As the year winds down, there will be little rest for the business and finance sectors as they prepare for a range of new legislative and prudential standards with deadlines in early 2020.

SPOTLIGHT ON SLAVERY

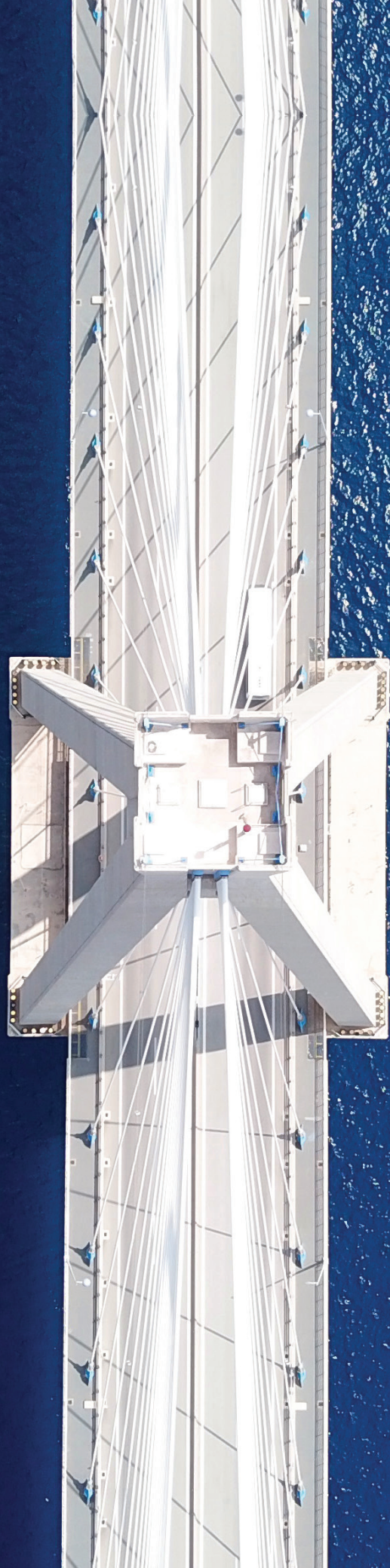
January 2020 marks a year since the introduction of the *Modern Slavery Act 2018*, requiring large organisations to publish an annual statement of actions taken to address modern slavery in their operations and supply chains, and the entities they own or control.

The Act signals that Parliament will not tolerate Australian businesses benefiting from modern slavery and has drawn a line in the sand: organisations can conduct their business activities and invest in domestic and foreign markets, but not at any cost.

Despite this, it appears the legislative newness and modern slavery's unfortunate invisibility has seen the issue fly under the radar for many

businesses. However, given the complexity of reporting requirements and the looming deadline for statements to be lodged by December 2020, businesses should be well advanced with assessing and responding to risks. This is particularly true for super funds, with the added complexity of having internally and externally-managed global investment portfolios in scope.

While the new laws will present organisations with challenges, they should be viewed as an opportunity to demonstrate leadership and best practice. Although there are no statutory penalties for non-compliance, ignoring the laws or applying them in a disingenuous manner can result in reputational damage and breaches of superannuation and other laws, exposing trustees and directors to legal action.





NEW LAWS BEARing DOWN

With the Government making noises of the imminent implementation of the Hayne recommendations, it is only a matter of time until the Banking Executive Accountability Regime (BEAR) is extended across the full financial services sector.

The significance of rewriting executive remuneration frameworks and mapping executive accountabilities should not be underestimated, and insurance and super funds should already be planning to ensure compliance.

Although BEAR came into effect for banks last year, they too could be required to reset remuneration frameworks to comply with proposed changes to APRA's prudential standards.

The proposed adjustments – primarily capping financial metrics used to measure variable pay, extending deferral periods out to seven years, and a provision for clawbacks of vested remuneration – will require a sophisticated approach to compete with other industries to retain and attract talent, both locally and globally.

The ramifications of BEAR are also likely to ripple through investors, particularly institutional investors and proxy advisors, who may prioritise short-term returns over long-term organisational objectives. As such, financial institutions should be developing effective strategies to communicate new executive pay profiles to minimise the risk that shareholders will vote down remuneration reports.

SUPER FUNDS ON REPORT

Changes keep coming for the superannuation sector, with funds now subject to an added layer of scrutiny after APRA released changes to its prudential standard (*SPS 515*) relating to strategic planning and member outcomes.

The changes align the standard with the annual outcomes assessment requirement legislated in April 2019, and raise the bar for the management of super funds.

The requirements go further than the legislated annual outcomes assessment, with APRA outlining how trustees show that members' financial interests are central to operational decisions by conducting an APRA-mandated annual business performance review. This includes comparing member outcomes achieved for different cohorts of members against objective internal and external benchmarks. The results of the annual business performance review must be used by trustees to make improvements to their business operations.

As of 1 January 2020, trustees must have reviewed their strategic objectives and business plans to meet the requirements of *SPS 515*, and have established policies addressing new criteria relating to annual business performance reviews, expenditure management, and member outcome assessments. Trustees will need to have given careful consideration about how their outcomes assessments will be designed and monitored, and how the outcomes achieved – or not achieved – should influence their business plan. ■

HOLD THE GOLD WATCH

For the past decade, businesses have been preoccupied with attracting millennials. Many are suddenly left with a knowledge gap that can only be filled by experienced workers past the traditional age of retirement, writes *Alison McClelland*.

When MIT researcher David DeLong wrote that NASA no longer had the knowledge to send a person to the moon, it should have been a wake-up call to CEOs and HR executives that the working world was marching towards a veritable intellectual property cliff.

But more than a decade on, experts agree that corporations still have a long way to go when it comes to future-proofing their business by capitalising on arguably their biggest asset – their ageing workers.

Social demographer Bernard Salt believes the next five years will prove crucial for businesses as a glut of baby

boomers prepare to exit the building, taking with them decades of “corporate memory” that has helped to drive productivity and build the bottom line.

“I think we have reached the tipping point,” Salt said. “The mid-point of the baby boom has passed, so you have the weight of the generation on the other side of the mountain, and the back half pulls across very quickly.

“There needs to be a whole program about knowledge transfer.”

While millennials had long been the “bright shiny toy” for recruiters, Salt said businesses had been lax in managing the other end of the age spectrum.





SALT IS THE “POSTER
BOY” FOR “REIMAGINING”
A CAREER LATER IN LIFE,
STARTING HIS OWN
CONSULTANCY BUSINESS
TWO YEARS AGO



Gerry Harvey and Harvey Norman CEO, Katie Page during the Harvey Norman Annual General Meeting, November 2004.

A 2018 survey of Australian HR Institute (AHRI) members appears to confirm the apparent disregard, with just eight per cent of organisations providing managers with intergenerational management training, and less than half having a retirement-transition plan. And with just a quarter of those surveyed capturing corporate knowledge from exiting older workers, it was not surprising that 63 per cent indicated such departures had led to a loss of key skills and knowledge.

"I think there are any number of issues that (businesses) see as more

pressing or more important. No one has really articulated it and put it together in a narrative and given them a pathway going forward," Salt said.

As health and life expectancy increase - 82.5 years currently and rising to 96 by 2055 - and the reality of economic pressures bite, the conventional school-work-retirement model holds less appeal.

Salt said businesses should be open to updating traditional employment models and practices - not to

mention attitudes - to better reflect cultural and demographic shifts that will see experienced workers looking to extend career longevity.

"I think the market is ready to hear a story around redefining what we used to call retirement, but what we now call the 'lifestyle' stage of the life cycle," Salt said.

"Even the word 'retire' or 'older worker' needs to be rethought. It's not retirement - it's more lifestyle and being fulfilled by this stage of your career.

"I think that we will see, particularly in knowledge workers and C-suiters, that people will continue on in a consultant capacity or as contractor or coach or director. Certainly in knowledge work, you are at the peak of your knowledge and contacts and influence, so why wouldn't you want to leverage that while there is demand?"

Salt is the "poster boy" for "reimagining" a career later in life, starting his own consultancy business two years ago after stepping down as a partner at KPMG, which encourages partners to retire between 58 to 60 years of age.

"I'm 62 and working more or less as hard as I was when 32 ... I have no intention of not working although I probably should slow down. But if you are a knowledge worker as I am, there is no reason why you can't continue to work."

Ageism might be one reason. The majority of complaints under the Age Discrimination Act last year related to employment, and 27 per cent of Australian workers aged 50 years and over have experienced age discrimination, according to a 2015 Australian Human Rights Commission survey, with 33 per cent giving up looking for work as a result.

The 2018 AHRI survey appears to confirm the bias, with more than 68 per cent of respondents admitting they were reluctant to employ workers over the age of 50, with one in five respondents citing a lack of technological skills required as an obstacle to recruitment.

"There are a lot of preconceptions around older people not being as on top of things," Salt said. "They don't know what Pinterest is, or they don't know how to send an SMS, they can't attach documents, that they are always asking their grandkids to do technical stuff. There is a whole narrative that

is conjured by society directed at baby boomers. Some of it is true... but you can't fairly use the odd example to label an entire generation."

While workplaces had made great strides in addressing gender and ethnic diversity, Salt said age diversity should move to the top of businesses' checklists, starting with reframing the language used to describe employee cohorts.

"Why is it 'younger worker' or 'older worker'? Why is that relevant? You are a worker and should be measured by the fact you are a contributor."

Retail entrepreneur Gerry Harvey is one of Australia's highest profile examples of putting the theory into practice. As chairman of Harvey Norman Holdings, the 80-year-old has no plans to hand over the reins anytime soon.

"My ambition is to be 90 and doing everything I'm doing now," Harvey said. "I lead the life of a 40-, 50-, 60-year-old. The only time I know I'm 80 is when I look in the mirror. So for me to retire at 66 would have been bloody ridiculous."

Not that he doesn't have doubts sometimes: "I constantly ask myself as to whether I've lost it a bit. To everyone around me, I say that if you ever think I have lost it a bit, you tell me. But I find I can hold my own in any conversation as well as I ever could and haven't dropped back on knowledge that I had when I was 30, 40 or 50."

Harvey said the continued work success and stamina of peers such as Rupert Murdoch (88), Frank Lowy (89) and real-estate billionaire Harry Triguboff (86) was proof that age was just a number.

For Harvey, it's always been about ability not age.

"If you are doing a really good job, no one wants you to retire," he said. "We have plenty of people over 60

"EVEN THE WORD 'RETIRE' OR 'OLDER WORKER' NEEDS TO BE RETHOUGHT. IT'S NOT RETIREMENT - IT'S MORE LIFESTYLE AND BEING FULFILLED BY THIS STAGE OF YOUR CAREER."

Bernard Salt

and quite a few over 70, (just) as long as they are performing on the sales floor. The 70-year-old can do just as good a job as the 30-year-old, and in many cases better, so we have no age discrimination."

Harvey said the diversity of his 20,000 staff (14,000 based in Australia) reflected his unspoken inclusive attitude rather than any strategic work plan.

"There is no age or colour or sex or religion conversation. It's purely, can you do the job? It has never been about your age and everyone in this joint knows that, so we don't have to tackle anything," he said.

"I've had my best salesman at 19 years of age and my best salesman at 79 years of age – it makes zero difference. It's all about the energy and enthusiasm and the ability to communicate."

Harvey said he was more than happy to profit from a competitor's less-enlightened attitude.

"Say one of our opposition got rid of a 75-year-old and they came in and applied for a job here and they were the best salesperson at that place - I couldn't put him or her on quick enough. They might have got rid of them because of age, but I certainly wouldn't. I can sell off the floor as well as anyone, and I'm 80."

Harvey, who rises at 6am and still goes into the office every day – apart from weekends, when he is working across his other businesses – said ingrained business and community attitudes to retirement would take time to change, but he was happy to lead by example.

"It's a culture that has developed over a very long period of time – that you work and then you retire. And if you want to, that's fine, but you shouldn't have to," he said.

Mercer Retirement Innovation Leader Will Burkitt believes more organisations should follow Harvey's lead and embrace an often ignored, or misperceived, talent pool.

"Someone with 40 years' working experience has enormous insights and skills that they bring to the workplace that can be leveraged in ways that may be different in the future, perhaps in terms of new roles and through mentoring-type roles, as well as customer service-type roles, which suit the experienced workforce and suit the skills they have," Burkitt said.

If cultural attitudes failed to shift employment trends, Burkitt said an economic "train wreck" could compel businesses to find value in retaining and recruiting workers once considered past their prime.

According to Treasury's 2015



Mercer Retirement Innovation Leader, Will Burkitt.

Intergenerational Report, almost a quarter of the population will be aged over 65 years by 2055, with the tax burden according to the workforce dependency ratio falling from 7.3 in 1975 to 4.5 today to just 2.7 workers for every retiree by 2055.

"When you relate that to government (revenue), sustainability of government budgets for social security and spending is looking very weak," Burkitt said. "Sheer necessity is going to shift cultural attitudes. The demographic megatrend is immovable – it's a train wreck coming.

"Our society as a whole needs to be much more aware of the opportunities and challenges. It is time to have the debate and shift our approach." It is increasingly happening, even though it appears that employers are not doing anything about it.

"Countries such as the US, UK and parts of Europe are much further advanced in terms of thinking about it and debating it, however, there is still a long way to go. I wouldn't say that there is any country that has really nailed this yet."



"IT HAS NEVER BEEN
ABOUT YOUR AGE AND
EVERYONE IN THIS
JOINT KNOWS THAT,
SO WE DON'T HAVE TO
TACKLE ANYTHING."

Gerry Harvey

Photo credit: Louise Kennerley.



Photo credit: Stefan Postles.

NOTABLE SENIORS GETTING THE JOB DONE

ITA BUTTROSE, AC OBE, 77,
ABC chair

SIR DAVID ATTENBOROUGH, 93,
broadcaster and naturalist

RUPERT MURDOCH, 88,
News Corp executive chair and
Fox Corporation co-chair

SIR KENNETH HAYNE, 74,
QC and former Royal
Commissioner

MAGGIE BEER, 74,
Food icon and founder of the
Maggie Beer Foundation

“IT IS ILLEGAL TO DISCRIMINATE, BUT QUITE EASY TO PUT INTO PRACTICE WITHOUT VISIBLY BREAKING THE LAW.”

Will Burkitt

It's a point backed up by Mercer's *Next Stage – Are You Age-Ready?* report analysing “future-fit” approaches to longevity in the workplace. The report warns that many businesses continue to overlook the potential of their experienced workers to bring a competitive advantage, and instead continue to cling to outdated ideas and employment models.

Burkitt said such a lack of strategic workforce planning was widespread and unsurprising, with businesses often more focused on recruiting young workers and meeting gender and ethnic diversity quotas.

“Ageism is the last frontier of the inclusion and diversity challenge. For all organisations, gender diversity has been front and centre for a while, and there's been improvement,

although we still have a fair way to go. But very few, probably less than one per cent of employers, are thinking about ageism and how to properly support an ageing workforce,” he said.

While the Age Discrimination Act (2004) prevented organisations from hiring and firing based on age, Burkitt said there were still too many instances of age bias – both conscious and unconscious.

“Often you find if there is a round of redundancies there may be an oversized portion of workers who are older. Line managers and leaders aren’t necessarily targeting these workers but for various reasons that’s often how it plays out, and not necessarily for the right reasons – not based on skills and experience, more based on the assumption that they are approaching the perceived retirement age, regardless of whether that individual intends to retire or not, which is wrong.

“It is illegal to discriminate, but quite easy to put into practice without visibly breaking the law.”

Burkitt argues that more legislative change is needed, reshaping workplace attitudes by addressing the very definition of “older worker”.

“For example, a mature-age employee is defined as 50 years and over, and that’s what decisions and influencing future direction has been based on to date, and that has to change.”

Burkitt said businesses would achieve better outcomes by looking at their workforce’s shared attributes and aspirations rather than categorising according

to age and preconceived attributes and attitudes.

While the rise of workplace flexibility – working from home, early or late starts and flexi-days – is often positioned as catering to demanding millennials, it is just as relevant and important to experienced workers, according to Burkitt.

“People in their 60s are sometimes taking career breaks, to the extent of going travelling, and then coming back to work. So older workers are really looking for many of the same types of policies and workplace practices that young workers are looking for – flexibility, carer’s leave, career breaks – but are looking for them for different reasons,” Burkitt said.

While Burkitt said health issues were cited as a greater priority among the older work cohort, employers should not draw the conclusion that productivity was negatively impacted by age.

In fact, according to the *Next Stage* report, age-diverse workforces contribute value through less turnover and increase productivity of colleagues through knowledge sharing and mentoring.

“The maturing population is a real positive for our society and no longer should seniors in our society be seen as a challenge or negative, but rather an opportunity or a positive in terms of what they contribute and how they interact with our society,” Burkitt said.

“And the fact that more people are working longer – in just the same way as younger people – is fantastic for everyone.” ■

FIVE WAYS TO OPTIMISE YOUR EXPERIENCED WORKFORCE

1 Collect and analyse your age-profile data to explore demographic and skill pinch points.

Understand what impact your retirement plan design has on the trajectory of retirement readiness and labour flow.

3 Initiate conversations with employees about how they might work differently.

Examine and tackle how ageism might manifest in your organisation, analysing pay, bonuses, performance, promotion and recruitment statistics through a lens focused on ageing.

5 Implement an effective flexible-working strategy.

Source: *Mercer’s Next Stage – Are You Age-Ready?*



WELLNESS AT WORK

Businesses looking to engage millennials and retain top talent are becoming more creative with their employee benefits, but what are people looking for when choosing an employer?

To stand out in today's job market, businesses are becoming more innovative with their employee benefits, offering everything from date-night sponsorship, breast milk shipping and pet bereavement allowances.

The competition is on to differentiate and, according to Mercer Market Insights and Survey Data business leader Chi Tran, the approach may have some merit.

In a 2017 study on global talent trends, Tran found that Australian workers prioritise their health more than wealth or their career.

"This isn't unique to Australia," she said. "Workers from most countries put their health before career development or remuneration."

“EMPLOYEES THRIVE IN AN INCLUSIVE, FLEXIBLE WORK ENVIRONMENT THAT OFFERS A STRONG SENSE OF PURPOSE.”

Chi Tran



Ceri Ittensohn, TAL's Chief People and Culture Officer.

“But that year, relative to other countries, the proportion of Australian workers was at its highest, and it’s remained high ever since.”

Tran reflects on Australia’s physically active culture, ranked one of the world’s healthiest by Bloomberg’s Global Health Index, but suggests changing attitudes toward personal wellbeing have influenced the workforce.

“The media has helped to put a spotlight on how workplaces affect people’s mental and physical wellbeing, especially issues related to work-life balance, flexibility and parental leave.

“Australians expect a more open discussion with their employer and a workplace that reflects their values,” Tran said.

Corporate wellbeing initiatives have traditionally been designed to serve as a stop-gap between personal wellbeing and chronic illness. Still, Tran believes Australia’s most successful organisations now use their wellbeing policies to attract and retain their employees.

“Employees thrive in an inclusive, flexible work environment that offers a strong sense of purpose.

“They are more likely to choose a workplace that makes a positive social impact, provides valuable learning opportunities and focuses on their health and wellbeing.

“It’s a competitive market for talent, so organisations are focusing on their benefits as a way to stand out from the crowd.

“This has changed how Australians choose their employers. It’s no longer just about pay,” Tran said.

The 2019 Mercer Global Talent Trends study found Australians are just as likely to choose an employer who focuses on their health and wellbeing as they are to find a job with a fair salary.

Casual observers don’t need to look far to see this trend in action. Organisations large and small have adopted everything from the trivial ping-pong table to more significant reforms such as flexible work options.

But what works for a start-up populated with millennials in their 20s may not apply to a multinational with a median age of 35. If decisions on corporate wellness are made without employee consultation, organisations may rule out the needs

of an increasingly diverse workforce and diminish its return on investment.

Finding what works for any organisation is a challenge. Still, for one of Australia’s leading life insurance specialists, TAL, understanding the needs of their people has helped attract and retain its workforce.

“Involving our people in the development of our health and wellbeing programmes has been key,” said Ceri Ittensohn, Chief People and Culture Officer at TAL.

In 2017 the TAL employee health and wellbeing committee was established to drive the decision-making behind its physical, financial and mental health initiatives. TAL employees volunteer to support the committee by forming working groups across each pillar.

Using an internal communications platform, Workplace, and regular check-ins with employees, the committee also drives awareness of its health and wellbeing initiatives and creates a space for dialogue.

“Last year we offered each employee a free health check with a registered nurse to assess their nutrition, fitness levels, risk of chronic illness and mental health, providing us with a baseline from which we could understand people’s needs,” Ittensohn said.

Health information and data such as safety hazards, staff insurance and return to work plans are also reviewed to monitor the wellbeing of employees. This information is used to support decision-making by the committee in conjunction with enterprise-wide programs delivered by the people and culture team.

BEYOND BLUE REPORTS THAT AUSTRALIA LOSES \$12.8 BILLION EACH YEAR FROM LOST PRODUCTIVITY DUE TO MENTAL HEALTH CONDITIONS.

Recognising the need to provide more holistic support, an upgrade to the employee assistance program soon followed. Expanding on its professional counselling services, new programmes covering nutrition, legal and financial advice were also introduced to ensure employees and their families felt supported.

The service is free, confidential and delivered on-site at some office locations or over the phone.

“Rather than just provide counselling support for when times are tough, the service is designed to help people stay well.

“Through these broader initiatives, we’re aiming to change the conversation around personal wellbeing at TAL,” Ittensohn said.

In a submission to the Productivity Commission Inquiry into Mental Health, Beyond Blue reports that Australia loses \$12.8 billion each year from lost productivity due to mental health conditions - with employers bearing the brunt.

More than 90 per cent of team leaders at TAL have completed mental health training which helps them support employees with mental health conditions and removes risks from the workplace.

“One of our people leaders identified an emerging mental health issue in

their team and had the confidence to intervene because of the training.

“Taking a holistic approach to wellbeing for our people and prioritising mental, physical and financial health has contributed to a work environment people want to be part of,” Ittensohn said.

L’Oréal Australia has taken personal wellbeing one step further by introducing a wellbeing objective into its employee performance review.

At the start of each evaluation cycle, employees at L’Oréal Australia propose a wellbeing objective which the company agrees to support.

The wellbeing objective is granular in its delivery yet simple in its approach. By allowing people to include personal wellbeing in the terms of their performance, L’Oréal Australia has created a culture of accountability and trust.

“Each member of our team has a different personal situation and wants to balance it with their profession,” said Jacob Bonk, HR Director at L’Oréal Australia and New Zealand.

“So what we’re focused on is making sure we provide a wide range of benefits to suit as many people as possible.”

For L’Oréal Australia’s Senior Product Manager, Niki Kiskiras, the wellbeing objective was an opportunity to prioritise her physical health.

“When the wellbeing objective was announced in 2016, I thought it was a great opportunity to step outside my comfort zone and try something different.

“I knew I wanted an outlet to ensure I was prioritising exercise between my busy work schedule, so I found a dance class and signed up. Two years later, I’m now an instructor. It’s fantastic that I could start this process through a company initiative,” Kiskiras said.

Some of L’Oréal’s employee benefits include half-day Fridays over summer, a superannuation top-up scheme in which L’Oréal matches contributions made by eligible staff, product allowances and income protection.

“We understand the idea of employee benefits has evolved. It’s very different to what it was even five to 10 years ago,” Bonk said.





Mars Petcare offers employees 10 hours of 'pawternity' leave when an employee gets a new pet, followed by the chance to bring the pet to work.

One of L'Oréal Australia's major areas of focus over the last five years has been its flexible work policy which, according to the Workplace Gender Equality Agency, is a significant driver of women in leadership.

In early 2019, L'Oréal Australia received the Employer of Choice for Gender Equality citation, which recognises gender equality in the workplace.

"We have prioritised a culture that enables employees to work with their managers to balance their work and personal lives while playing an active role in the workplace culture.

"We encourage all our staff to think about the work they must do and the most appropriate location to do it. Our employees can now make their own choices on how, when and where their work is done," Bonk said.

"There are also options for staff who require a more formal arrangement such as part-time work, job sharing or a compressed workweek."

When it comes to employee wellbeing, executives have a raft of ideas to choose from. However, as L'Oréal Australia has shown, building a great work environment is about more than the benefits on offer.

"L'Oréal Australia aims to be a place where all of its employees can thrive. The benefits we offer are only part of the strategy," Bonk said.

Exciting benefits may drive short-term engagement but, as some of Australia's most sought after workplaces have found, supporting employees through all aspects of their lives help attract and retain top talent. ■

SIX UNIQUE EMPLOYEE BENEFITS

1 BOTOX LEAVE and other grooming leave – so employees don't have to fake sick leave.
(Fox Kalomaski)

E-BOOK ALLOWANCE to help employees stay on top of their reading.
(Twillo) **2**

3 BREAST MILK SHIPPING for travelling mothers to keep newborns fed.
(IBM and Accenture)

PET INSURANCE and bereavement leave for pet owners.
(Mars Petcare and Mars) **4**

5 ADOPTION ASSISTANCE and holiday parties.
(Go Daddy)

SPOUSES receive 50 per cent of an employee's salary every year for 10 years in the event of a death.
(Google) **6**

INVESTING IN THE DIGITAL AGE

As part of his new book, *Investment Wisdom for the Digital Age*, Dr Harry Liem examines how artificial intelligence (AI) and unprecedented amounts of big data will change the nature of investing.

An abundance of data exists that investors had never had before nor had in such huge quantities. And such data could lead to new or faster revelations about the future of economies and asset prices. The technological race is on to use that data, as hedge funds are now launching their own satellites to gather proprietary data such as the amount of truck movement from factories. Others are developing natural language algorithms to capture the real-time sentiment of users on social media by reading the tone of the words used or creating body language processing algorithms that analyse CEO/CFO signals from quarterly meeting videos. There is a lot of new data available that we didn't have before and the amount is growing rapidly.

At the same time, we now have the processing power to crunch such large information sets, as well as ever-improving computer algorithms – artificial intelligence and machine learning techniques – to see patterns that may not have been visible before. Thus, we are at a point in

history where we could see investment breakthroughs. The key question is, will all this new data and technology help make us better investors?

Superior investment returns can come from having access to better data, better execution speed or better decision making. It has always been a challenge for investors to distinguish the signal from the noise – to discern important information. With the advent of the Digital Age, that challenge has only intensified.

The data presented to us can be overwhelming. We are bombarded by news through official and social media sources, we encounter clickbait every second online, and there is an abundance of fake news to contend with.

At the moment, the jury is still out about whether all this additional data can create superior long-run investment returns. For example, you could find a data set that offers unique insights, but any investment advantage this offers could be quickly competed away once others obtain

similar data. Thus, so far, the main applications have been among the short term and more high-frequency traders.

For long-term investing, there are big questions at the moment that are not easily solved by artificial intelligence. For example, we are facing an environment with very low interest rates where people are questioning the effectiveness of central bank policy and the corresponding impact on asset prices. Such questions are not easily answered by robots, but require a deep understanding of economic systems and financial markets.

The hardest thing for the long-term investor is to ensure they stay focused on their long-term objectives and avoid distractions with the abundance of news and data available. Without a deep understanding of the markets, it is easy for investors to “data mine” and find relationships in data that are not there.

The investment management industry itself is on the brink of disruption. Large resources will be needed to invest in



new technologies, deal with increased regulation and compliance cost and to continue to make a difference. Deep pockets are required to stay ahead of the curve. In theory, it also means that anyone with deep pockets can be a player as well. We might also see investors from other fields: owners of big data (a Google or Amazon, for example) could find ways to exploit their informational or technological advantage for an investment advantage. For the remaining players, because of all this new technology, the complexity of active management will increase, while fees and the cost of investing will continue to come down significantly for those who can no longer prove their skill.

Successful investment professionals learn from the past and have an insatiable curiosity. Today's rapid developments in technology are by no means new but represent a confluence of long-running technological evolutions in storage space, processing power and

algorithm complexity. The key question is whether computers are becoming "aware" and according to the experts I interviewed for my book, we are not there yet. Investment markets are a complex matter due to the ever-evolving nature of participants. It is not a game of chess, and evil robots taking over the game of investing remains the domain of science fiction.

Machine learning has the potential to disrupt, especially for shorter-term investors, where there are large amounts of data and effects that are not easily described using simpler models. For longer-term investors, the impact may be less, although the techniques could still be useful for risk-mitigating, stress testing and scenario analysis.

But ultimately, it is important to cut through some of the short-term noise and hype surrounding these new AI techniques and focus on the right long-term objectives. We foresee a trend back towards creating genuine, long-term

wealth, using fundamental analysis, rather than trading on the latest information craze.

The investment industry has always been in a state of evolution. The increase in available data and processing power, as well as the constant search for new return sources in the low-yield environment, has increased the speed of that evolution as we enter the Digital Age. ■



By Dr Harry Liem

Director of Strategic Research and Head of Capital Markets for Mercer in the Pacific Region, and author of *Investment Wisdom for the Digital Age*, released December 2019.



CHANGING CEO IN A TIME OF CRISIS

HOW PREPARED ARE YOU?

Succession planning is a line item on every board agenda. When a company is hit by a crisis that causes a CEO to leave unexpectedly, looking for a replacement can prove difficult, writes *Lahra Carey*.

When retailer David Jones' CEO Mark McInnes resigned in disgrace following months of media scrutiny over a sexual harassment complaint by a 25-year-old staffer, it would seem the board was caught off guard. The issue blew up as a daily 'he said, she said' debate out of seemingly nowhere, and it quickly became apparent that McInnes couldn't remain at the helm.

The board chose to appoint long-term David Jones executive Paul Zahara to fill the role, with Chair Robert Savage announcing to the ASX his delight that "... the depth of our management team

and our internal succession planning has enabled us to appoint an internal candidate."

It was an appointment that would only last three and a half years, followed by a revolving door of CEOs at a time when the retailer was struggling financially.

And in today's results-driven world with increasing scrutiny on executives, the David Jones situation isn't an isolated case.

According to global recruitment firm Spencer Stuart's report on CEO transitions, 22 per cent of CEOs resigned



“WHEN A WELL-LOVED CEO RETIRES, THERE WILL BE A PERIOD OF TIME THAT A SUCCESSOR WILL BE GROOMED FOR THE ROLE ... BUT WHERE A PERSON LEAVES UNDER A CLOUD, THERE HAS TO BE CHANGE ACROSS THE BUSINESS.”

Gareth Jones

Gareth Jones of Mercer Evolve is regularly called upon by organisations dealing with executive succession. He says he isn't surprised by the findings with sudden and unexpected CEO departures usually creating their own unique set of challenges.

“When a well-loved CEO retires, there will be a period of time that a successor will be groomed for the role. So when the CEO changes in these circumstances, there probably won't be dramatic changes. But where a person leaves under a cloud, there has to be change across the business,” Jones said.

Not all CEO changeovers are the same. Sometimes they emerge swiftly and with little warning, and others bubble away as a watching brief for the board.

Either way, board-endorsed succession plans may have to be rethought depending on the circumstances of the CEO's departure.

Ultimately, it's up to the board to make the call as to whether the new leader is able to continue steering the course the board has set or whether a different

direction is needed. And according to Jones, the new leader requires exceptional stakeholder skills to take on that job and do it well.

“Change-makers need to have a thick skin, as well as a pragmatic, driven approach to business. They must possess leadership qualities that make people want to follow them as well as empower the leadership team,” he said.

A report by the National Association of Corporate Directors published earlier this year examined the issue of CEO succession planning. It found that more boards are making emergency plans in case of a sudden CEO departure.

According to the report, two years ago, 59 per cent of public company directors reported that they had identified an individual who would serve as interim CEO in case of an emergency. This year, that number rose 15 percentage points to 74 per cent. It's a clear nod to the value of being prepared.

But what happens when there is no such appropriate successor identified?

under pressure in 2018 (according to company reports) — compared with 15 per cent in 2017 — and 5 per cent left for health reasons. Further, 73 per cent of the new CEOs were promoted from within the company.

The same research also examined whether the former CEO's reason for leaving influenced the likelihood that a board would select an internal or external successor.

Spencer Stuart found that when a CEO resigned under pressure, his or her replacement was much more likely to have been hired from outside the organisation.

“THERE’S A HUGE AMOUNT OF PRESSURE FROM DAY ONE. NEW CEOS IN THIS POSITION NEED PEOPLE THEY CAN TRUST AND TO BE ABLE TO THROW THINGS TO THEM.”

Gareth Jones

This is exactly the situation NAB was faced with following the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. After months of public scrutiny and negative publicity for the bank during the royal commission hearings, NAB took the lion’s share of Commissioner Hayne’s wrath in his final report.

Shortly after the report was released, Chief Executive Andrew Thorburn and Chairman Ken Henry resigned, and the search for a new leader began.

“It’s not easy to find those CEOs. It’s very hard to hire an individual for a turnaround role who hasn’t faced this. They need to know what they’re walking into, and they need to be prepared for it,” Jones said.

“Many people will talk about having a desire to do a role like that, but they need to have the skills to do it.

“They will be facing scrutiny everywhere – the team looks to them to provide leadership, (and) the board needs to see leadership and ideas to push forward. And then there’s the public perception of leadership, executive pay and so on. This scrutiny creeps into all aspects of their life.”

It took five months for NAB to find a replacement for Thorburn, but they finally managed to find an experienced candidate with a strong track record of leading organisations through significant change.

Upon announcing the appointment of Ross McEwan as Group Chief Executive Officer and Managing Director of NAB, Chairman-elect Philip Chronican stressed McEwan’s “deep experience in international markets”, as well as the fact that he had been “CEO of Royal Bank of

Scotland since 2013 and led the organisation through significant change and recovery.”

“There are two types of CEOs,” Jones said.

“They all want challenges, and they all prioritise keeping the business successful and on track. But there’s a certain type who loves to take on a particularly difficult challenge. Anyone taking on the banks now must thrive in that environment. They see it as a great opportunity to put their stamp on their career.”

According to Jones, McEwan is being billed as the right leader for transformation – with a steady pair of hands, because he’s done this before.

“We have secured a well proven CEO,” Chronican was quoted as saying.

“RBS has been through many of the same challenges which NAB now faces around culture, trust and reputation.”

Although McEwan won’t start in the chair until December, he has already signalled that his priority will be a focus on changing the culture of the bank – a priority Jones says the board will need to support.

“The board has no choice – they had to get somebody, and it’s inevitable that things have to change. The board is bringing McEwan in for his expertise. It’s not done a great job with the past CEO – it will have to listen to McEwan and take his advice,” Jones said.

“Culturally, when a new CEO comes in, they will be different to the old CEO. There will be a big cultural element to the change agenda. Culture is driven from the top.”



This December, Ross McEwan will take up the role of NAB's Group Chief Executive Officer and Managing Director.

Jones also speculates that McEwan is likely to bring in some of his own trusted team.

"There's a huge amount of pressure from day one. New CEOs in this position need people they can trust and to be able to throw things to them."


However, Jones warns that the climate and the scrutiny mean it can be a very lonely job with few people to turn to inside the organisation to seek advice from when the pressure feels too great.

"They all have executive coaches and people they can bounce ideas off – people who are old hands in this type of work and who understand the pressure they are under."

Ultimately, protecting and, in some cases, revamping the organisation's reputation is a team effort between the newly appointed CEO and the board. Being prepared for CEO succession in an unexpected scenario, as with all best practice management strategies, will prove to be time well spent. ■

**"MANY PEOPLE
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THAT, BUT THEY
NEED TO HAVE THE
SKILLS TO DO IT."**

Gareth Jones

A close-up portrait of a woman with brown hair and glasses, smiling and resting her chin on her hand. She is wearing a light blue button-down shirt over a white top. The background is blurred, showing what appears to be a bookshelf.

FINDING VALUE IN VIRTUE

START-UP SUPER
FUNDS SPECIALISING
IN VALUES-BASED
INVESTING ARE
GAINING TRACTION.

Some have gone beyond investing in environmentally-friendly assets to supporting causes such as veganism or actively helping members to progress their careers, writes *Olga Galacho*.

Comparisons of superannuation funds typically rely on investment performance and fees to rank and rate funds. Yet, a growing number of Australians seem to be prioritising their values and lifestyle choices when they select their fund.

The trend started more than 30 years ago when Australian Ethical was launched as an alternative to the mainstream funds, who thought nothing at the time of buying stock in what today are largely considered on-the-nose industries, such as tobacco and coal companies.

Australian Ethical is now publicly listed, with \$3.42 billion of funds invested in sustainable sectors such as renewable energy.

Many traditional fund managers have entered the ethical investing market and offer it either as a standalone offering or within other, more standard, portfolios. These funds have listened to their members' values and acted to keep them from switching.

But the availability of super products appealing to all manner of personal



IN THE WAKE OF THE HAYNE ROYAL COMMISSION, THOUSANDS OF AUSTRALIANS TOOK MATTERS INTO THEIR OWN HANDS AND ACTIVELY SWITCHED FUNDS.

values – from veganism to championing LGBTQ rights – is growing fast and managers need to be ahead of this curve to prevent members voting with their feet.

In the wake of the Hayne Royal Commission, thousands of Australians took matters into their own hands and actively switched funds.

Kirby Rappell, executive director of Lonsec arm SuperRatings, cautions consumers to have their “eyes wide open” when selecting a niche fund.

“There is now a fund for almost every cause,” Rappell said. “But consumers need to be careful with their understanding of what super means to them and what will be the net return once fees are taken out.”

He notes that many bigger funds already offer or are considering offering values-based options.

“On average, a mainstream fund will have \$5 billion for diversified investments, giving them a buffer against certain risks,” he said.

But the start-up funds have considerably less money to spread around.

“It’s not easy being a start-up in the super sector because it is heavily regulated, presenting big challenges for under-resourced funds,” Rappell said.

“Most traditional funds now have products that cater to environmental, social equity and sustainable or ESG principles, and can easily convince values-based members not to exit their fund.”

He added that start-up funds have not been around long enough to have a performance record that can be measured against established peers.

A history of performance, along with scale, is the other advantage traditional funds have, putting them in a stronger position to compete in the super arena on performance and fees while addressing the consumer desire for values-based investing.

So who are these niche funds, and what are they offering?

Verve Super, which pitches itself to women, launched last year. The fund’s bells and whistles include free financial counselling and fee relief for families with a new baby.

Under its ‘academy’ banner, it has developed a Money and Mindset program specifically to help women make their finances go further.

Additionally, with each new membership, Verve sends a donation to microfinance organisation Good Return, to help women in developing countries access funding for a small business.

Good Super invests in companies that demonstrate best-practice policies for LGBTQ employees. The fund relies on the Human Rights Campaign Foundation’s Corporate Equality Index when selecting which stocks to buy.

The index, which has been compiled each year for 17 years, examines corporate policies on sexual orientation and gender identity, domestic partner benefits, transgender-inclusive benefits, organisational LGBTQ competency, and public commitment to the LGBTQ community.

Cruelty Free Super won’t invest in companies associated with animal testing, live animal exports or intensive agriculture.

Its humane ethics extend to people, and thus, the fund avoids buying into companies that run detention centres or are heavy polluters.

Four-year-old Future Super also shirks carbon-intensive investments and proactively seeks out renewables projects, such as solar farms.

Its tight screening has produced two portfolio options whose projects absorb more carbon dioxide than they produce. The fund claims to have moved \$350 million worth of investments out of fossil-fuel-dependent companies.

Niche funds’ success in capturing billions of dollars’ worth of super money so far indicates that today’s members are less likely to be complacent about traditional players’ investment strategy. They demand to know what funds stand for other than making money. Time will tell if the approach has longevity, but for now, there’s a lesson in the value of virtue. ■



Q&A

TALAL YASSINE OAM
MANAGING DIRECTOR
CRESCENT WEALTH

WHAT DO YOU REMEMBER ABOUT YOUR BIRTH COUNTRY?

I came to Australia at the age of four, so there isn't much of a memory of the troubles my country of birth (Lebanon) was facing.

I do recall, however, growing up with my mother constantly being cautious and fearful of her new "normal". She was forced to adjust to the unknown to offer us stability, hope and normality with absolutely no anchor point. My mother and father travelled from a village to live in a city many thousands of kilometres away, with no language skills (neither ever went to school), financial resources or networks. But they made it.

We brought a huge amount of culture with us; Lebanese are very hospitable and love food. This was strange for our neighbours at first, but once food was passed over the garden fence we'd made lifelong friends.

I sometimes wonder what limits my parents would've had to reach or what they experienced in order for them to decide to leave the safety net of their family, their known surroundings, environment and people to come to the unknown of Australia.

I guess only knowing – hoping – it would be safer than the civil war situation gave them comfort and guided their decision. There are times I think we take their sacrifice for granted.

YOU HAVE A LAW DEGREE AND DROVE A TAXI AT SOME POINT. HOW DID THAT COME ABOUT?

Like many university students, historically and today, I had to support myself and my family (my parents and brothers and sisters at the time). So apart from my work experience at a local law firm, I drove a taxi (Number 2275!), worked at a service station, delivered flowers, painted fences and cleaned cars – whatever I needed to do to be able to meet our weekly bills.

On the other hand, our family highly valued education. At the time, I was not sure 100 per cent why, except that it gave you a better job and life. But today, I think education does much more than that; it allows one the opportunity to engage in society to the fullest and to provide access to success on many different levels.

I ended up having four degrees, coupled with being an Adjunct Professor at Western Sydney University and a Professorial Fellow at the Australian National University.

WHAT LESSONS DID YOU LEARN FROM THOSE YEARS BEHIND THE WHEEL WHICH YOU APPLY TO YOUR BUSINESS LIFE TODAY?

Empathy. You meet an array of personalities driving a taxi – the young and naïve, the travellers, the corporates and of course elders – sometimes just wanting to chat to someone and at times it really forces you to listen to them and try to understand without any bias what they are going through. In the beginning, I tried to offer advice, but as time went on, I realised that some just needed to talk it out – some happy, some sad issues.

It wasn't until later in my business life that I realised what an asset it was. Having the ability to consciously stop speaking (and for anyone that knows me, I do love a

“WE HAVE A PROUD TRADITION OF LOOKING AFTER ONE ANOTHER, TRADITIONALLY WE FIND OUR FAMILY TO RALLY AROUND US AND OFFER THE SUPPORT NEEDED TO GET BACK UP.”

great chat) and allow time to actually listen to what is being said (and not said) so that I understand their position and then respond accordingly is invaluable, and it's something that I use on a daily basis.

The other lesson is in negotiation. I worked in many jobs for many years, and at different hours, there were many times where I'd have the rowdy, the self-entitled, the stressed or simply checked out. It forced me to deal with them and their unpredictable personalities and understand their triggers in order to keep them calm and avoid potential conflicts.

I can and do translate this to business and boardroom negotiations, as sometimes one is dealing with the same behaviours.

WHAT ARE THE SPECIFIC WEALTH MANAGEMENT NEEDS OF THE ISLAMIC COMMUNITY THAT INSPIRED YOU TO ESTABLISH CRESCENT WEALTH?

To retire with dignity.

We have a proud tradition of looking after one another. If you lose your job, are elderly, have an illness or disability, traditionally we find it's our family that rallies around us and offers the support needed to get back up.

The purpose and drive to set up Crescent Wealth is to address this issue. Offering a retirement fund that aligns with the Islamic investment principles is fundamental to increase awareness within the Muslim communities. We want to educate our

communities on the importance of having a sufficient retirement plan.

In the process of offering the Crescent Wealth super fund, we are experiencing a higher level of engagement and so many new members that are not of the Islamic faith. Those individuals want to avoid their retirement funds being invested in harmful industries such as the gambling, alcohol, weaponry, interest and tobacco industries.

WHAT'S YOUR NEXT LIFE CHALLENGE?

My life challenge is a continuing one. The challenge is to be a good son, husband and father.

In this world of instant gratification and short-term thinking, where life's challenges are many (not to mention setting up a super fund from scratch), the bonds of family and the time, effort and energy that is required is a something I take very seriously.

I am a father of four children (ages ranging from 18 to 3) and have seven brothers and sisters. Both my parents are still pretty active, and my wife and I have a full household. The proactive focus (not to mention the joy and blessing) on family is something I constantly juggle and try to keep with all that is going on in my work and academic life.

But of course, this is my greatest challenge, joy and achievement. ■

EXECUTIVE REMUNERATION

THE POST-HAYNE PLAYBOOK

THE NEW RULES YOU NEED TO KNOW

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