



Kate Thiele

CEO Klarity

**INDVSTRVS**

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## Kate Thiele - Clarifying Business for Purpose

***The Australian Institute of Company Directors held its second Australian Governance Summit in Melbourne early March 2017, and the sentiment was unanimous; shareholder primacy must make room for social cohesion. We spoke with the considered and well-respected triple 2015 Telstra Women's Business Awards Winner Kate Thiele about good governance, leadership and how having clarity of purpose can help NFP and private sector organisations thrive where there is a healthy tension between profitability and social responsibility.***

By Joanne Leila Smith | March 2017

**W**hen the Chairman of the Australian Institute of Company Directors (AICD) Elizabeth Proust, AO, delivered her opening address to Australia's top 1,000 directors in Melbourne earlier this month, her message was clear – 'the way we do business, can't be the way we've always done business'. Unpacking this statement involved an acknowledgement of millennials now making up the largest proportion of the workforce and the kind of cultural shifts needed to accommodate a generation that seek out values-based organisations that offer more agile working environments over profitability, adopting a 'speed over scale' approach due to rapidly technological advancements, and most importantly, tackling public backlash against short-term thinking over long-term holistic planning.

According to Proust, business has never been more unpopular, institutions so distrusted and NFPs met with such deep public cynicism.

"It is not reasonable or credible to grumble that government doesn't listen to the needs of business, if business isn't acting as a partner in helping find solutions. We cannot point to government and say the problems and concerns being shown on the streets, at the ballot box, indeed even at some AGMs, are government's problems to solve alone...Solutions need the engagement of all stakeholders, and to do that we need to take collective responsibility in hearing and addressing the valid frustrations and concerns that people share if we are to regain their trust... business does not operate in a vacuum. After all, society's expectations change over time...so must those of businesses

and organisations. The choice is whether we are at the fore of those changes and help shape them, or forced by regulation or legislation to comply with them. The choice is being part of the conversation, or being shut out from it altogether. We may accuse some politicians of being populist, but they are merely channeling societal fears and anger. If people don't feel the economy or society is working for them, they will seek to change it – in whatever way they can. If we want to maintain the compact between business and the community that Australia has benefited from over the last thirty years, then business needs to accept its wider social obligation to fight for and maintain that consensus. If it does not, we risk having that consensus taken away by an angry and fed-up community," says Proust.

In the recent AICD and KPMG report *Driving Productivity from the Top: A Survey of Australian Directors and Governance Leaders 2017*, 695 directors and governance leaders were asked to evaluate the conditions and decisions that drive productivity in Australia. The report found that social cohesion had a direct impact on productivity.

***With productivity growth averaging just one percent each year for the past decade, the report highlights the link between public policy and productivity growth; short-term decision making and lack of political leadership in Australia were limiting the ability of business to commit to long-term investments, which inevitability generates more employment and innovation.***

When Prime Minister Malcolm Turnbull weighted his political capital on a AUD1.1B National Innovation and Science Agenda in November 2015 with plenty of hullabaloo, nearly 18-months on, party-factionalism, partisan politics, populist fringe pandering and the former PM Tony Abbott popping his head up from the back bench to declare, "it is good we're no longer talking about innovation" only 12-months into the innovation revolution, it's little wonder that the hubbub dwindled to a whimper.

The AICD/KPMG report concluded that the top three factors holding back long-term productivity reform were lack of political courage, short

termism, and too much partisanship in politics.

While the government debated loosening the 18C Racial Discrimination Act this month, which is considered by some as a building block of social cohesion, the lack of public trust in government to deliver on major reform needed for economic growth may have indirectly led to the mantle being passed to businesses to lead the way in driving productivity reform – with an emphasis on social cohesion. According to the AICD/KPMG report, socially cohesive communities are more connected, compliant, trusting, which lowers transaction costs. It also leads to higher levels of educational attainment and healthier outcomes which contribute to higher levels of productivity. With only three percent of directors disagreeing with corporate Australia having any responsibility in supporting social cohesion, the verdict is clear – nearly all directors agree that business has a part to play...which naturally leads us to reassess and perhaps, re-align, just what the role is of corporate Australia.

To explore this question, we sought the smarts of a super talented, Fellow of the AICD and CEO Kate Thiele, who recently launched Klarity, a contemporary strategic consulting firm that caters for SMEs in the NFP and private sector spaces. After spending over seven years as CEO of Guide Dogs SA/NT, Thiele grew a 14,000-member organisation to over 50,000 during her tenure as well as helping to position Guide Dogs being voted as Australia's most trusted charity brand in the annual Reader's Digest

poll for four consecutive years. In 2015, Thiele's outstanding performance in business leadership was recognised when she won two SA categories as well as the national category for Purpose and Social Enterprise at the Telstra Women's Business Awards. In the same year, Thiele was honoured with a Fellowship to Harvard University to undertake the Strategic Perspectives in NFP Management Program for CEOs, MDs and Board Directors.

As an attendee at the recent AICD Summit in Melbourne, we asked for Thiele's take on the role of business and social cohesion in the private and NFP sectors.

"Purpose in both spaces is intersecting far more than ever before. It makes sense for business to embrace its role beyond the profit piece and help contribute to better social outcomes. If your staff is engaged and passionate about selling the service or product, if they are truly focused on delivering value to your consumers, taking a more holistic view, by moving beyond the transaction to trying to improve your customer's life - it's just good business. Consumers drive change. After working in NFP for the past ten years, I've learnt that having a clear value proposition, and understanding your service is about improving someone's life – it's not only joyful, it couples strong commercial performance with positive social impact. They shouldn't be mutually exclusive. I know plenty of bankers who are passionate about social impact," says Thiele.



*“Short sightedness for corporates is problematic. Values can’t be set and then instantly be adopted. It takes two to five years to be inculcated in an organisation,” says Thiele.*

According to Thiele, the National Disability Insurance Scheme (NDIS) flipped the NFP sector from a welfare-based model, to a marketised model, whereby for the first time, people living with disability have purchasing power to go to the market and decide for themselves which service or product best suited their needs. For many NFPs, access to the funding stream, and competing for customers meant it had to have a clear value proposition for the first time, which was daunting for many.

“For years, private sector companies have had to be very clear about their VP, who they are, what they’re offering and measuring performance. The NFP needs to be the same. Some are doing it beautifully, some are struggling... Historically, NFP is quite collaborative but to cope with the upheaval, some are ringfencing their businesses while they work it out...That’s what Klarify is about; helping organisations to define their purpose, strategic direction, responsibilities and the systems to bring it to life and how to measure their success. Success in both NFP and private sectors is now determined by the customer, it is outcome rather than output based,” says Thiele.

According to Thiele, having strong values, a clear value proposition and being responsive to market feedback is a positive tension that all good leaders embrace, however, there needs to be more discussion on what this looks like in action, rather than on paper. Thiele shared her learnings on what values in action and living your VP meant during her time as a CEO.

**“We say to leaders to be agile, be resilient, and it’s fascinating because we hear it all the time, but there’s little conversation around what it means in practical terms. This might mean moving to an MVP rather than an R&D model for example. When it comes to working out what your company’s values are, well it’s not about what’s on the paper, because values is really another word for behaviours. Short sightedness for corporates is problematic. Values can’t be set and then instantly be adopted. It takes two to five years to be inculcated in an organisation,” says Thiele.**

When it comes to taking the lead, Thiele says the most powerful thing an organisation can do is set values from the beginning, because behaviours can then be managed to create aligned outcomes, which magnifies results.

“The first thing I did as CEO was not to jump into strategic planning. Instead, we decided what the values were that we would work by. After extensive consultation between the staff, volunteers and the board, we decided on front line problem solving. We decided to be accountable and support each other. One of the values was to have fun. Someone asked, ‘Kate, but the people we work with live with disability, how appropriate is it to have a value of fun?’ I said, it’s not about being funny. It’s about having an environment that fosters creativity and innovation... Guide Dogs is a people charity. It supports over 200 of the most

disadvantaged people in society – people who live with both blindness and deafness. I remember meeting one of the customers and I felt so inadequate I didn’t know how to communicate with him. He knew I was there, he could feel me, and the volunteer would sign in his hands...Many of their customers have a form of depression, so to have a value of ‘fun’ was really about saying, we want a positive energy so our customers can lean on us. Some tried to change the word to enthusiasm, but fun is a strong simple word. It won,” says Thiele. “As the CEO I would meet with every new employee and give behavioural context to the values. I was also honest. Sometimes we didn’t see behaviours that matched said value because we’re human, we stuff up. It was about inviting the staff to think about what the behaviours looked like for them in their roles”.

After setting the core values, Thiele says having a clearly defined value proposition was central to understanding what the purpose of their organisation is, so ultimately, the customer gets the maximum value for spend.

“The United Nations states that one of the rights of people living with disability is that they should have choice. We would talk a lot about what choice means for customers. In the NFP space, it is no longer a client, as that is possessive, and implies welfare thinking. A customer has choice. So we tried to create a customer service culture. The next block was clarity of purpose, which was to improve the lives of people living with disability.



“...When staff feel connected to changing someone else’s life, that is the power of strong social cohesion in business. The money is the outcome of all these building blocks,” says Thiele.

According to Thiele, while an organisation can have a great profit or revenue stream, it’s the people who create the ‘multiplier effect’. Currently a member of three boards, Thiele is well-placed to advocate for convergence of profitability and social impact.

Thiele sits on the Board of the Royal Zoological Society of SA – the only zoo in Australia that is a conservation charity and NFP not fully funded by the Government, and Thiele says she is proud of its work advancing the conservation cause.

Thiele serves on the Adelaide Crows Community Foundation, which raises funds to give back to the local community; it currently partnered with Canteen and KickStart, a program which funds breakfast for disadvantaged kids. Thiele is also on the board of the Adelaide Festival Centre Trust – a statutory authority which manages the Festival Theatre, the Playhouse and Her Majesty’s Theatre.

For Thiele, all good governance starts at the board level, and as a director, it’s important to intrinsically understand what the organisation stands for.

“Whether its private or NFP, good governance means good systems, robust debate about the strategic direction of the organisation and having strong financial

management. Ultimately the role of the board is about effective decision making. Businesses take shocks all the time. There are surprises in the market that you don’t anticipate, and if the market is heading in the direction where social and profit converge, then that’s going to be a challenge worth facing head on,” says Thiele.



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