

# **TRANSCRIPT OF PROCEEDINGS**

## **IPAA ACT CONFERENCE**

### **SESSION 2 “INNOVATION”**

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Virginia H.: Now, moving on to our second session, Big Ideas and Broader Approaches: Innovation in the Public Sector. Innovation is of course more than new technology. It means creating new solutions and unshackling tradition and culture, and it's more than having just great ideas. Innovation needs the right people and systems to be delivered with real results. How can we create a public sector where innovation can flourish and how come that public sectors support innovation across the economy and work with partners from across business and community-based organisations, academics and researchers and citizenry to the best of it. How does contestability and commissioning influence innovative practice in the public sector? Two big issues, contestability and commissioning.

This session will consider the importance of innovation to thinking big and delivering big, both within the public service itself and across the country. We have again three outstanding speakers for you today, Catherine Livingstone, Glenys Beauchamp and Michelle Guthrie. Glenn Keys was to be joining us for this session but a short, a small change to this session. Glenn was recently announced as the 2016 Australian EY Entrepreneur of the Year and he's going on to represent Australia internationally and he's had to travel overseas immediately. It's great to see that Canberrans are being recognized on the global stage and it's quite an accolade for Glenn, who's also recognized, of course for those of you from the ACT, you would know he was the 2015 ACT Australian of the Year as a business and philanthropic leader, so Glenn won't be with us. However, since learning that news, we also learned that Catherine Livingstone is about to step down as BCA President, and today is in fact her final public address in that role. She's very graciously agreed to make a keynote address today. She'll be speaking for 20 minutes and I'll follow that with a short, a very brief Q&A with Cathy and then we will continue with the rest of the panel.

Please welcome Catherine Livingstone AO, President of the Business Council of Australia, for her final address.

Catherine L.: Well, good morning everyone and you'll forgive me if my comments are a bit feisty and a bit direct today because as you just heard, it's my last public speech as President of the BCA because my term comes to an end next week, so this is my last chance to get everything off my chest, so to speak. I'd also say that if it gives you any comfort as the public service, you're not special. There is significant difference of trust when it comes to business and we're seeing that in spates as we go through the current AGM season and the votes against the various remuneration issues and the number of boards that are now on first strike, which means if they get a second strike next year, then there's a vote to spill the entire board. The consequences of that for business, quite significant.

Third point I'd make is much of what I'm going to say, you've actually already heard this morning in this excellent panel but I invoke the advertiser's mantra

that until you've heard it seven times, it may not have resonated, so with apologies on that. I have to say that I approach the notion of innovation with quite a degree of caution now. For such a straightforward concept, it suffers from an extraordinary degree of misunderstanding and worse, as we know now and George picked it up in terms of the election result, it's actually seen as threatening by large sections of the community. Part of the problem I think is that there's a misplaced belief that innovation is all about inspiration, when in fact it's much more about perspiration. The perspiration starts with understanding the present and to take George's point, the past and asking the right questions.

Just to take an obvious example, Steve Jobs and Apple. One of the most significant innovations of the last decade has been the smartphone and it really is incredible today to think that it's only been really with us since 2007. Its impact has been revolutionary but I have to say we missed the significance at the time. Many of us thought, "Well this is just a next-generation phone." It's an improvement on the previous feature phone, but in fact when Apple designed it, they weren't answering the question of how do we design a better phone, they were responding to Steve Jobs' question of how can we change the way people live their lives, quite a different question. He was looking at how do you combine mobility with access to the internet and a life-changing experience, not how do you make a better phone call or send a better MMS.

In Australia too, we often see invention confused with innovation. We're encouraged to have an ideas boom to follow on from the resources boom, but as David [inaudible 00:06:09] recently explained, new ideas reflect creativity. Innovation is all about implementing those ideas to deliver value. Without value creation, there is no innovation and execution is the key. When we despair of the fact that Australia has a poor record of commercialization of new ideas, what we're really saying is that we fall down on execution. To my caution at talking about innovation, I need to add disheartenment. In Australia, there's something of a Groundhog Day Syndrome in our innovation policy conversations. We seem to keep going back to where we started. Ostensibly, I'm concerned that our competitor countries are moving at speed to progress innovation conducive policies.

In the meantime, powerful forces are affecting our economy, our society and limiting our degrees of freedom to act. You all know them well. Globalization and extreme interdependence, technological change, including machine learning and artificial intelligence, and of course demographic change, both the physical displacement as well as the rapid aging of the population. My disheartenment comes because there's so much we could and should be doing but are not, and by we, I mean all of us, all sectors, whether it's government, whether it's business, whether it's academia, whether it's civil society. I think we know unless we can achieve innovation-led growth, the prosperity in society well-being we've enjoyed for many decades will be irrevocably

compromised.

Given that successful execution is the key, I thought it might be useful just to spend a little time deconstructing this troubling concept of innovation into its practical executable elements by describing a working framework, and we're trying to think big in your day job, which is full of the interruptions and crises, having a guiding framework that you can come back to helps you run in parallel that strategic thinking while you're consumed with it minute by minute.

With this in mind, I'll just make some observations about innovation in and by business, attempt to apply the same framework in the public service context and then conclude with some remarks about governance and innovation. To innovation in business, innovation in business has actually evolved and there's a hierarchy now if you think about it. Innovation was originally all about product innovation, and then it progressed to product and process and then it moved product process, organisational, and now it's moving product, process, organisation and full business model innovation concurrently.

The rate of global change and strong global forces mean that to stay in business, companies need to be executing at all four levels simultaneously, and of course keeping the business going. This isn't just changing the proverbial tires while you're still driving. It's actually rebuilding the engine. Back to Apple and the smartphone, brilliant idea but super execution, absolutely superb execution. At the product level, they had a beautifully designed product, which took the phone into an image and fashion accessory dimension, very clever. At the process level, they had a very lean manufacturing process and an equally focused global distribution process. At an organisational level, they had a culture that was uncompromising in its demand for excellence. Now arguably, it was a very unforgiving culture, and many heads did roll daily but the absolute demand for excellence drove what they did.

At the business model level, they created a platform for a whole ecosystem of products, which has since enabled Apple sadly to capture a disproportionate share of the value in the mobile devices and connectivity value chain. You could take the example of in Australia, take the example of Telstra and there are people from Telstra here. At the product level, Telstra's product was totally fixed line voice, and now based on its most recent accounts, that represents less than 15% of revenue, having been replaced by mobile, data and software applications revenue. At the process level, the rapid explosion of data usage has required fundamental changes to its processes around systems architecture, including a move towards software defined networks and network function virtualization, completely different approach to networks. At the organisational level, you would have heard for many years since David Thodey became CEO that culture is focused, totally focused on customer and service. If it doesn't go through that lens, it doesn't work, and at the business model level, there's been

an evolution from voice over phones to data over devices and now solutions over networks. It's a massive change in just over 10 years.

I'll just digress at this point because it's a very concerning sentiment emerging that innovation only occurs in startups and SMEs, that big business isn't innovating and that it's a drag on the innovation system as evidenced by its low growth rates. I'll just say a \$25 billion revenue business growing at 3% is delivering additional revenue of \$750 million a year, which is not trivial and is probably growing parts of that revenue at 15% to 20% because it's displacing revenue that's decaying. It's an extraordinary level of innovation just to stay in business. Startups are essential for longer-term growth but they take a long time to delivery, so Cochlear took 17 years to deliver material impact in terms of revenue. Atlassian took 15 years. You need both established business, small and large and startups to ensure delivery to the economy of innovation on those short, medium and long-term horizons.

Going back to the innovation hierarchy, it may sound quite straightforward and I think it's quite helpful but successful outcomes rely critically on several environmental elements. The first of these is having multidisciplinary conversations with diverse participants, where you have different perspectives which enable the right questions to be asked and the problem to be solved clearly identified, and this is called design thinking and it's very hard. You'll also need a systems view, which identifies interdependencies, so siloed perspectives are the enemy of innovation. You need reliable and comprehensive data and Larry pointed this out earlier this morning. Anecdote is an inadequate basis for understanding underlying dynamics and the data and the analytics tools that we now have available make good data so much more accessible and there's no excuse for not using it.

Then there's risk taking, which was discussed this morning, where risk acceptance decisions are taken explicitly and at the right level of authority. Where risk often comes unstuck is that the risk acceptance decision has been taken at an inappropriate and usually too low a level in the organisation. The full consequences of the risk are not understood. Again repeating what was said this morning, mistakes are expected and problems are expected. Mitigation strategies, when you come to new products and services, include the product and the service being put through a hazard analysis before it goes out into the field. By that I mean could this product or service cause adverse outcomes? How could it be inadvertently misused or deliberately abused? Putting a product and service through a hazard analysis and by a team that didn't develop it is crucial to making sure that there'll be successful execution. Then finally, you apply the quality assurance cycle, so that's the plan, do, check, act cycle. Notwithstanding all of the preparation, there will always be a need for fine tuning.

Can this framework and all these conditions be applied in the public service

context and is the imperative as strong? I think absolutely yes to both questions. You're facing the same forces of change and the government sector itself represents about 30% of the economy, so an increase in the innovation intensity across the sector would make a significant impact on the national innovation intensity, and hence productivity. One important clarification though, innovation is not a program to be delivered. It's a way of working anchored in the ability to ask the right questions.

Given that a core part of your role is designing, manufacturing and delivering good policy, what does that look like when viewed through the innovation hierarchy lens? On the product side, policy, well-designed policy, is there enough focus and time spent on asking the right questions and ensuring that the problem to be solved has been identified? Francis Adams this morning spoke about the importance of listening for the sake of listening. Is the conversation multidisciplinary? Do you have multiple departments involved? This is where design thinking comes in, and it's tough and it's uncomfortable. It's much easier to move straight to the answer than it is to keep asking the question and keep asking until you're confident you've hit the problem you're trying to solve.

The perfect answer is rarely the right answer and a very good discipline is to keep probing until you find a second right answer. There was a group in the federal government called design.gov and that was looking at how design thinking could be used in policy development but was defunded when the Abbott government came in, which I think was a real loss.

Moving to process, how is a whole of system view achieved to enable the team to think through the interdependencies of a policy? Is it through interdepartmental committees or is it through informal working groups? A good example is the cabinet committee being led by Ian Watt to integrate the implementation of NISA from a whole of governmental system view. How is that working? I've spoken about putting a product through hazard analysis, and in that case, you're looking at a policy or program. How could it be deliberately misused? I think we've got a couple of examples currently, which are taking a lot of energy to try and redesign them. Looking forward, what's the design of the NDIS? Is it robust? Has it been put through hazard analysis?

On organisation, the NISA statement envisaged that government would be an exemplar in its initiatives. This will require taking steps towards cultural change and to one of willingness to take risk, and there was a lot of discussion on that this morning. Issue with cultural change is it takes years and you have to be committed over that time and you will probably go backwards before you go forward, and again it's a very hard thing to do, very hard and requires a great deal of leadership, but unless the cultural change happens, any conversation about being innovative, more innovative is moot really. That applies in business as well as obviously the public service. There is a difference

between taking and managing risk and being risky. If there's no risk, there's no innovation. The key is identifying and managing the risks and being prepared when things go wrong and acting quickly. Fast fail is a very good mantra to have.

Back to the cultural change, I think an important point which was touched on this morning is you need leadership. If it doesn't come from the very top, it's not going to happen. It would, notwithstanding the challenge, if there's a critical mass of committed leaders among you, then it has a better chance of happening, so I think this really does have to be a very collective dynamic and probably it's not going to work if it's just in one part of one department or one department. It really has to be a very collective ambition and commitment to get that cultural change and be allowed to take risks and stand up for the principle of the necessity of taking risk.

Having considered the product process and organisational dimensions of the hierarchy, the last element is the business model and I think this is a major challenge. The context for the formulation of a national policy framework has been fundamentally changed by the forces I referred to but as touched on this morning, it's being changed by the dynamics of our political system. Our federation model is being stretched beyond its own design tolerances and at the federal level, the 3-year electoral cycle, the substantive change in the role of the Senate, combined with intervening changes in Prime Minister, mean that we've effectively had 6 changes of government over the past 10 years. The transaction cost of this to the economy is huge and it's a cost we cannot afford and it's a cost no one quantifies.

Globally, as commented on this morning, we see disruption in real time with Brexit, Trump and changing world order. This is going to be very distracting for our political leaders. The implications for your business model as policymakers are quite profound. The public service, now more than ever, needs to be the custodian of the strategic policy agenda for the country. Your role is both to defend continuity of policy and autonomously to generate ideas for reform. It's not being political but rather acting in the national interest and providing policy continuity when political leadership changes. The lack of policy continuity is killing us. We destroy economic value every time there's a discontinuity in the policy framework and policy volatility is an anathema to business and has a significant opportunity cost.

In the policy area I have most to do with, which is innovation, a recent study concluded that the half-life, half-life of innovation policies in Australia is 1 year. I absolutely feel for the departments involved in this who are subject, as George pointed out this morning, to every time there's a change, not just a change in political party but a change in minister, that the focus isn't on doing what's there, then there's a need to retain them and then it might be replaced with something which is substantially the same, but again it's very upsetting and

when I hear politicians espousing the virtues of Hofer model. It's very frustrating because that's been in place for nearly half a century, so until you're prepared to make that commitment, you cannot be talking about innovation policy.

As commented again, anecdote is no longer an acceptable basis for drawing conclusions. There is no excuse for not using insights gathered from data analytics and large data sets, as we're discovering, provide different insights compared with small data sets, and we do have the ability now to work with large data sets. Perhaps the digital transformation agency will be a catalyst here and we've got the productivity commission report on data. That will hopefully energize the debate.

In discharging your policy custodian role, you'll also need to be the conduit for deep understanding of global economic, social and economic trends and in a position to convey that knowledge convincingly to our political masters and this does require spending time with other people in other geographies, just as business executives do and boards who travel extensively.

As you know, the BCA has continued to advocate for a long-term plan to 2025, with the intent of achieving a redesign in major policy areas to make sure that they're fit for purpose at that time, and this is healthcare, education and retirement incomes and of course a commitment to redesign of the tax system over that same time frame, so again it's fit for purpose by the time we get there. The very real possibility now of both the US and the UK company tax rates being reduced and further reduced, respectively, does not bode well for investment in Australia.

Just to conclude, if you go back to Jack Welch, and he said, "If the rate of change on the outside exceeds the rate of change on the inside, the end is near." For this reason, and given everything I've just been through, IPA and similar bodies are more important than they've ever been before, and there is an opportunity for all of you to reassert the proper role of the public service and to act therefore in the national interest when very few around you are doing so. Thank you.

Virginia H.: Thank you, Catherine. I'll ask Catherine just to stay and sit through and I'll ask a few quick questions, and as promised, a fiery speech and it's very interesting, isn't it, when spoken softly, the killer words and the killer phrases really just hit you a moment or two later but there's some great tweeting lines there. The lack of policy continuity is killing us. Catherine, you don't mince your words. You have tremendous experience and have worked in a broad range of areas and sectors, formerly CEO of CSIRO, of course with Cochlear and what have you. You've also worked in a number of government reviews over the past 10 years and have had tremendous connection and contact with the public sector in a number of ways. I want to ask you this as someone who is departing the role at BCA, what is your single greatest frustration about working with the public



sector?

Catherine L.: Really honest answer?

Virginia H.: Absolutely. You're on your way out, you can say what you like.

Catherine L.: No, so I'll start with the best part of working with the public service and it is working with incredibly talented people and incredibly committed, notwithstanding the challenges that you face. The disappointing, rather than the worst part and this is over a 15-year time frame, is the amount of time that people like me give and we give, we don't get paid for it in working on reviews, helping with papers, just contributing, trying to contribute into the system, the experience we have and the knowledge so that it can go into the mix and the number of times even before the ink is dry on the report, it's gone. It's been killed for political reasons or things have moved on or it's all too hard. Again, it does come back to a trust issue, if you're giving of your time and if there's no financial consequence, does that mean your time's not valued and what you're saying is it's not valued.

It's taken for granted a bit and that just means that the next time you think, well ...

Virginia H.: Why bother?

Catherine L.: I've said everything I've got to say. It's all there in XYZ reports and studies and so on. There's nothing new.

Virginia H.: Great messages there I think for everyone to take on board. I also want to ask you a little bit or reflect back on the last election campaign. You're someone who has made clear you don't like what you call reform paralysis. You were somewhat critical during the coalition's campaign, you were critical of the slogan Jobs and Growth in as much as you were concerned that there wasn't a wider, clearer narrative behind it and vision. Do you think that wider Australia, and particularly business, are on board with the Prime Minister's current passion for innovation and the innovation agenda? Do you believe that people are on board with it?

Catherine L.: Yes, absolutely because that's what they do everyday. Whether they're describing it as the innovation agenda but you cannot stay in business unless you're driving innovation across your whole business. This is why innovation is not this inspirational. At time occasionally, it will be, but innovation is just doing things differently, little things a bit better and it all adds up then you might make a step change. Business is innovating all the time, and if it doesn't, it goes out of business. I mean absolutely business is behind it.

Virginia H.: Just lastly before I call other speakers out for this panel discussion on

innovation, and this doesn't need necessarily to be a parting shot, but if again as someone who's departing your role, is there one single thing that you would like to see the public sector do differently in order to work more collaboratively and in better partnership with the private sector? One single thing, I know there are probably many but one single big thing or little thing.

Catherine L.: I think it's probably spending more time exploring the question of whatever it is and understanding how things work and why they are the way they are before driving to a conclusion or an answer.

Virginia H.: Terrific. Some great food for thought there, so thank you very much. Would you please join me in thanking Catherine Livingstone?

I'll get you to take a seat here in the middle of our panel and I'm going to ask Michelle Guthrie and Glenys Beauchamp to join us for the rest of this panel discussion. Whilst they do, I just want to throw back to the question that we asked you at the beginning of this session about the last time you had an out of the box idea, just to see if that has changed at all because I saw some of you fling around. I think you might have been thinking twice about it, so yes, running with it, ran with it or running with it has dropped back a little bit to 43%, told someone about it, we're up to nearly 50%, 49% so told someone about it but not necessarily action. That's interesting. I think in the quiet of the dark, some of you are being very honest there where we like to think that we ran with it but in fact on reflection realized that perhaps no, all we did was tell someone about it.

An interesting thought there. I also just want to make reference to the very first question that we asked you at the beginning of the day and that issue of trust that came up, which is a very powerful one. I just want to refer you to a very, very interesting report that comes out of IGPA actually, also by Professor Mark Evans, who I think is with us today somewhere here, a report on that very issue that we highlighted, that most of you highlighted about trust being of concern. The report is titled Who do you Trust to Run the Country. You can find it on the IGPA website, the University of Canberra IGPA website, and it was on democracy, trust and politics in Australia, just two quick things I want to point out to because it got quite a bit of media attention at the time. One was that satisfaction with democracy in Australia is now at its lowest levels since 1996 so we're at a 20-year low, and the second important point, that the levels of trust in government and politicians in Australia are at their lowest levels since 1993.

We really do have a broad problem of trust in this country, which we need to do a lot of work on but it's a fascinating report that delves into this so have a look at it. You'll find the rest on the IGPA website. Now ladies and gentlemen, it's my great pleasure to introduce you to the other two speakers in this session, Glenys Beauchamp and Michelle Guthrie. I'll ask Glenys to take the podium first, and I'll tell you a little about Glenys. As many of you here know, Glenys is

the Secretary of the Department of Industry Innovation and Science and she has been since 2013. She's had an extensive career in the Australian public service at senior levels, with responsibility for a number of significant government programs covering economic and social policy areas. With an Economics degree from ANU, she began her career as a graduate in the industry commission. How appropriate is that? Gone full circle. During her more than 25 years in public sector, she's also held very senior roles in the ACT public service, where she found that she wasn't a big fan of personalized media stories and didn't much like being on the front page of the local newspaper, but Glenys is a shining example of what doesn't break you strengthens you and she's gone on to have a stellar career to prove it.

Please welcome Glenys Beauchamp.

Glenys B.:

Thanks very much, Virginia. I'd really like to acknowledge Catherine's role as head of the BCA and the huge contribution. The information and reports she actually gives, she's had a huge influence, particularly in industry policy and business policy in the short time I've been associated with the portfolio, and not only that, she continues to give her time while she's got hugely important interests in the private sector. Thank you very much, Catherine for the contribution to federal and state and territory policy and hope we can continue to work with you and I can tell you from our point of view, the reports and advice that we're provided with, we do take a long term view and one day, we'll pull them out of the bottle drawer and there you have it. Thank you very much, Catherine.

I wanted to just talk about, a bit about the role of government and even in the Apple iPhone as well and what we can do as organisations, as institutions but also more importantly what we can do as all being leaders in the public services that are represented here today and it's great to see all levels of government represented here and people who've travelled far from Tanzania and other places, so thank you very much for that.

Picking up on George's comments this morning, in terms of Australia, we've had 25 consecutive years of growth. People might ask, "What's your problem?" In terms of maintaining living standards, improving productivity and ensuring we're globally competitive, we do have to increase our productivity and the way we work. The OECD has already pointed out that as much as 50% of long-term economic growth comes from innovation. I think there's obviously a business imperative to do that. What is the role of government in this process? Primarily, our role in having come through the industry commission and in the portfolio that I'm in, most of us economists talk about our involvement as addressing areas of market value.

For example, access to information, developing a skills base, ensuring we've got a good regulatory framework, that the macro framework works for operating

are effective. In this sense, the government is very much a facilitator. We provide the enabling environment, getting the regulatory tax and workplace relations systems working well. It's a key challenge and something that we need to ensure that brings out the best we possibly can in both business sense and community sense. Government's also got a role in investing in research, education and training and we're also addressing, particularly in our portfolio across government other areas of market failure, that is the provision of access to information, access to data and I'll get on to the data issue in one moment, but also connecting key players and we heard Larry talk about the importance of that interconnectedness right across our economy.

Our role in the innovation area has also seen the government as a bit of a catalyst and we've seen the National Innovation and Science agenda, launched last September by the Prime Minister and I think he said this is a start of a process. Indeed, when you look at the National Innovation and Science agenda, even the announcement had a significant impact on the economy. I think there was banks that Catherine's going to that set up VC firms and the like and I think people started to talk more about being entrepreneurs and starting up your own companies and being more innovative. There definitely was an announcement effect. Our role in government is to embed a culture of innovation across, not only across the Australian public service but also across the industry and business as well. That one of the catalysts is particularly important.

We also, we heard and we see in the National Innovation and Science agenda that government is an exemplar, and the Prime Minister's expectation is the government is to be an exemplar and I must say I feel under a huge amount of pressure in my portfolio with innovation in the department's name, and if we're not leading by example, by showing the rest of the public service what is possible but also walking the talk in terms of what we're asking businesses to do, then I think we'd be failing. Being an exemplar and using the government levers that we have got rather than unnecessarily creating problematic confetti around procurement, around the tax system. For example, we administer with our tax office the research and development tax incentive, almost an over \$3 billion full grown revenue initiative that provides \$18 billion of R&D in the business sector. We do need to do more about what we're getting in terms of that impact that we're going through that process with the recent review.

We're also investing in areas where we do have a competitive advantage and we can develop markets, and I must say that BCA has been instrumental in changing the way we've looked at industry policy and business assistance and focusing much more on an investment strategy using our levers and looking at where we can make a difference globally.

When you look at the history of most innovative nations on earth, the government has been often more than that facilitator. It has been that catalyst

and exemplar in absolutely shaping markets in the future and Catherine spoke a bit about Apple and when I looked at some of the research and development initiatives around Apple, many are of the innovations that Apple used and many of the revolutionary technologies actually came from government-funded activities, whether that was through DARPA in the US, Siri and GPS, they are funded by government initiatives in the US.

Closer to home, some areas that we're investing in, for example the square kilometre array project, a global collaboration in astronomy and engineering. 12 countries involved, of which we're one investing and that will provide an absolute game changer in terms of being at the forefront of big data developments. Other things that were picked up in the National Innovation and Science Agenda was around quantum computing, where the government's invested \$25 million and we see that as a leading example of what Australia's got to offer the world there. Also around financial technology disruption and when you look at distributed ledger technologies, whether it's big client and the like, block chain, I think the work the treasury and Data61 through CSIRO and what they're doing is absolutely going to change the way that we do business and certainly the way we as citizens do business in the future.

Having Larry Marshall here, an icon of the institution in CSIRO, and obviously also again Catherine's involvement in CSIRO, it's an institution that's given us so much, and when you look at Wi-Fi, they invented WLAN, the precursor to Wi-Fi, and they're doing absolutely wonderful things through some of their breakthroughs. Cochlear, which Catherine also mentioned, was something that was funded by the Australian government. In terms of big data and the digital transformation agenda, opening up our data sets is absolutely important, not only to ensure we've got a robust evidence base but also provide the opportunity for innovation to occur, and when you look close to home in the ACT, opening up of government data is allowed for all homes. Ancestry.com, there's so many weather apps and the myriad of apps that are using now government data to good effect. I think data driven innovation has added an estimated \$67 billion in new value to the Australian economy in 2013.

Organisationally, and we've spoken a bit about it this morning, what do we need to do? A couple of things that we've embarked on, we've got a branch head in Matt's area, he's under the CIO. He's getting rid of the stupid rules movement and I think that's being reported on in cio.com article today so have a look at that. We've also established what we call a Biz Lab, with expertise in design thinking and methodologies and David tells me that's with a capital A, and I've gone through a tutorial on Agile methodologies, so not quite up there yet but trialling new things and I think secretaries and leaders have to trial new things. One of the big things that we're trialling is absolutely working with citizens and stakeholders and we talked about collaboration across government. We talk about robust evidence-based and the like but I think what we're doing now is involving users and citizens and indeed business designing

programs and looking at how do we improve current programs and we've had Biz Lab technology, Biz Lab methodology being used for how we might improve the administration at the R&D system as an example.

Also I think I touched on, Francis touched on the innovation exchange and the like, so these puppets of these experiments if you like, happening across government, our role is to absolutely embed in our organisations. What can you do? I think we've got to look across the public service about people being our best assets. It's interesting to look at the survey there in terms of coming up with new ideas, how we take those forward. I think looking at the PM's Awards for Excellence last night absolutely showcased some fantastic work that's happening across all levels of government. I think we need to lead by example in developing the right skills. We shouldn't be all economists. We should be scientists and engineers and design thinkers and the like in the leadership areas. Co-design and working with others is absolutely important and I think as leaders, and it's not just a hierarchy. In the hierarchy, leaders at the senior area, it's absolutely leadership that we should all be displaying in terms of helping each other and empowering our staff.

Looking at what's possible, I know and I came through the public service, we had very much can do attitude. Now I think we'll all be looking at not just can do but what is possible and you've seen what's possible happening in the global environment, and I think it's not just looking at the evidence base, making sure you're internationally literate, what is going on not just in your area, not just in your jurisdiction over the hill. I think t other thing we need to keep a handle on is we can become very short term, have a short term approach and obviously as Catherine said, that approach around the longer term and why we're here and making sure we've got key platforms for making our job easier and making the decision making jobs a lot easier in the future is where we should be going.

I think leading by example, showing the world what the public service is capable of and syncing our process a bit more is absolutely fantastic, so thank you.

Virginia H.: Thank you. Thank you very much, Glenys and some fantastic examples there, many of it I actually wasn't aware of. We'll talk about that in our panel discussion. Our final panellist speaker in this session is of course Michelle Guthrie. Michelle is the Managing Director of the Australian Broadcasting Corporation, the ABC, and until recently was my boss for all of about 2 days. She arrived and I left and I was so sorry to do that. I was so excited about Michelle's arrival, the fact that we were having the first time ever the ABC was to be headed by a woman means a great deal to me so I'm sorry I departed.

Michelle has had an extraordinary global career in the media industry, with leading roles in the UK, Asia and the US. She began life as a lawyer in Sydney

but very quickly was lured to Singapore and London to develop global pay TV businesses including BskyB. She worked for Fox Tel, started V in Asia, developing brands in China, India and Indonesia. She replaced James Murdoch as CEO of Star in 2003 and then spent 17 years with News Corp. before moving on to Google Asia. Then finally, back to Australia, she now has a very busy job leading old Aunty into new directions as a digital media company. I suspect it's just as well that her husband is a chef because I'm guessing that like me, she's so busy she never gets time to go near the kitchen, unless of course it's to grab a bottle of wine from the fridge.

Please welcome Michelle Guthrie.

Michelle G.: Thanks, thanks, Virginia and thank you all for inviting me here. I've been at the ABC for 6 months and I was just saying that sometimes it feels like 6 days. Sometimes it feels like 6 years. I'm not sure. Today is a reasonably good day. I wanted to talk to you a little bit about I guess my experiences, both at the ABC and before the ABC around innovation. Contrary to what you might think or believe about an 84-year-old institution like the ABC, innovation is absolutely crucial to us. It's embedded in our charter and in our DNA and it's absolutely the key to our future success. Given the disruption that's really occurring in the media sector and when you talk about disruption, I always use example of media as the most able to be disrupted in the sense that all we deliver is text, video, audio, photos, perfect for digital delivery anywhere. If you think about how you can be disrupted, it is very obvious that there is just much more choice available to audiences, much more fragmentation of audiences and frankly, as Catherine talked about early innovative businesses will survive. I believe that only innovative broadcasters will survive.

While it's impossible to predict to any certainty will happen in the media sector over the next 5 to 10 years, there'll be many more new competitors who will emerge and audiences will become more demanding, if that's even possible. It is very important I think to have an attitude of being flexible and to try things as we go along, and I know that a number of speakers have really talked about this and I can give you a few examples of that. When you talk about innovation at an 84-year-old institution, the most obvious examples are that digital is much cheaper to innovate around than traditional broadcasting so our view is an incredible platform that was the first catch up service that was developed in Australia, and still is by far the most popular freeware broadcast catch up service.

What we've been able to do with that service is we pilot programs in iView. It costs us substantially less to try out new concepts so I don't know how many of you have watched, "You Can't Ask That"? I think it's the most terrific show that we've done in the last, certainly since I've been at the ABC, "The Katering show" and a tremendous, tremendous program. They were all launched on ABC iView, and we test them out and they were incredibly popular, so popular

that we actually started putting them on our main broadcast channel. Another example of that is Ronnie Chieng. We started doing some pilots of comedy shows and we put them all on iView and saw which ones were the most popular and the most that the audience will engage with and one of them was Ronnie Chieng International Student. Ronnie Chieng is on The Daily Show. He's a regular contributor to The Daily Show so he's very much a global talent. Actually, I had somebody reach out to me the other day after we announced, based on our iView experiment, we've now announced that we will be doing a Ronnie Chieng program, International Student program on our main channel for next year.

Someone reached out to me from the US and said, "I read the news. I didn't know he was Australian. I knew him from The Daily Show but I didn't know he was Australian." I really think that we are living this and we are being flexible in trying new things. I genuinely believe that no one can afford to be complacent. 84 years of public funding doesn't guarantee that we'll be funded for the next 84 years or frankly the next 8 years. My previous employer, Google, I spent 5 years at Google and in Asia. When I first started in Singapore, we had 100 staff in Singapore and when I left 5 years later, we had 1,100 staff. It really gives you a sense of the period of explosive growth, but I couldn't get over that when I joined 5 years ago, it was a great, it was the world's best search engine and I was responsible for some of our search product partnerships when I joined and I couldn't get over that Google engineers were constantly trying to improve the search engine further, and not just incremental improvement but really step change improvements. Even though they currently have \$80 billion in revenue, they genuinely believe that if they don't keep improving their offering, someone else will.

They started in a garage. There's someone else in the garage that might be trying to develop another way of actually making the world's information accessible. I think having seen that in an organisation, you really do get a sense of the imperatives for innovation and the change. It's very tight but things are happening at a very blistering speed. You only have to again look at the media sector and look at Netflix. Netflix in the last couple of years has achieved a penetration in the Australian market that took Fox Tel 2 decades to build. What Fox Tel, the market share of the Fox Tel we're talking in 20 years, Netflix has done in 2 years.

We've talked a lot about innovation. I'm also a firm believer in the importance of creativity. As previously mentioned, innovation is really the implementation and creativity is the force that drives it and frankly, we're world leaders in creativity in our television programming, in our movie production so I do feel that we have tremendous advantages there, but as someone who's spent a lot of my career overseas, I do feel that Australia's punching blow its way at the moment. We have the ideas and the energy but not necessarily, number 1, we're not very good at bragging about things but we're also not great at



thinking about global scale either.

I thought it might be useful to just finish off on another issue that I guess is very near and dear to my heart and it's also been mentioned a little bit is around diversity. One of the things that really struck me when I first arrived at the ABC was that I really didn't feel that the ABC's staff and on a talent, as well as frankly the people that we were interviewing or reaching out to in our community were representative of the whole of Australia and I feel very strongly that we're funded by the government on behalf of all Australians. 28% of Australians were born overseas and didn't grow up with the ABC. An additional 20% are like me, second generation Australians. How are we making sure that the ABC is fit for purpose for the future and not only reflects the community but is relevant to our community.

The final piece is data. I love data and that's another thing I got very strongly from Google. I spend a lot of time asking questions like how many people watching that program, why, where are they watching it, how has that changed overtime, how long has that program been in this current format, how do we think about ways of doing things differently, how do we think about actually taking some of the money that will earn our investment in areas of distribution where we're not I think, where we don't necessarily have to play but we can partner and collaborate with others in order to reach more of Australia. I look forward to some of these discussions in the panel. Thanks.

Virginia H.: Thank you very much. My mic's on this. Thank you very much, fascinating and all of the speakers today have been fascinating. I have a million of questions that I'd like to ask all of you but I just want to throw one straight to you Michelle, just going back to what you just said then. It strikes me that when we're talking about innovation, particularly with the media and news media, we're talking about giving people what they want. As you say, you love data and responding to the data, being responsive to that, giving people what they want. Is that necessarily though what we ought to be doing as curators of news for example? It's the old question. At what point do we say innovation also requires some curatorial oversight?

Michelle G.: Sure, no question. I do think that that's what we do. I think that when you, one of the criticisms I've had around my aspiration that we reach 100% of Australians is that there is a question back to me of that means you're dumbing down. I said, "No, no, no. It's not about actually lowest common denominator. It's actually about discovering those niches. It's not doing a mass shift and trying to reach everybody at once but it is around thinking about what is relevant to a particular community, how can we connect better. I also fundamentally disagree that certain, that that means you need to know your qualities, particularly around using [inaudible 01:00:37]. I'll give you an example. During the election, the Australian election, we had 10 million visitors to television, radio and our digital platforms. It was our largest audience in the

history of the ABC. A lot of that audience was new audience for us and it was coming to us on mobile, it was younger.

There is this fundamental trust in us for those moments of national conversation, those moments of what's going on. Even though Trump may not have been good for the world, it was good for the ABC. People came to Antony Green because they want to know. They want to know the truth. That is absolutely fundamental to us. If we lose that sense of trust and relevance and having the right answer, then we have nothing.

Virginia H.: You see very much of the centre of innovation of course and with your department and you gave us some great examples of innovative programs and apps and things like that, some as I said that I haven't heard of before. Is there a bit of a disconnect between what's actually happening and the story that you're telling, the why to the public?

Glenys B.: I think there probably is and as a government department and as public servants, we're not good in either raising visibility of what's possible in what we're doing but also communicating at will. It's interesting picking up on Michelle's comments about the responsibility that governments have is so much information and data out there. Where do you go for either the truth or not necessarily the truth, the information on which to base good decisions because I think people's lives are very complex but being at the Centre of National Innovation and Science agenda, I don't think we should be using necessarily innovation as a cliché anymore. It's all about ...

Virginia H.: Are we danger of being a bit of a buzzkill? A little bit like diversity. We all talk about diversity but are not so sure that we really think about what that means or have appeared to take on our own biases and really get down and dirty and do something about diversity. I'm beginning to hear innovation as a bit of a buzzword similar to that.

Glenys B.: I think it has been used as a buzzword but if I look at some of the buzzwords of the past about continuous improvement and all of those things, I mean it's really accepting that we're operating in an environment of change and you want to do your best and you want to be thinking of new things. That's what it's all about is being open to what's possible and taking the initiative to do something about it. I think we do want to get away from innovation being used as a cliché and I think it probably has and it probably does get used a lot and I think maybe sometimes being in public service, the innovation is our responsibility because we're running with the innovation agenda as such but I think it's a much more, a whole of government, whole of community thing that we should.

Virginia H.: Catherine, mention there of this environment of change is particularly interesting I think from where you sit with the business and the private sector.

Fascinating to hear Michele made reference to Google even though they've got this amazingly good product, they're constantly looking not just improve it but make it different and provide some things that we don't even know we want, which is interesting I'm not sure that public sectors can think like that. What do you think the private sector can teach the public sector about understanding that change is not just something you have to get over and then things will settle, but in fact that change is life and that's what we do?

Catherine L.: Businesses had to learn the hard lessons. If you go back, let's say 10, 20 years, business could determine whether it innovated at what pace and what it did. It had the power and the customer had to take what was given. That power balance has shifted completely, thanks to people like Google, where customers can now know everything and their expectation of service is their best experience, not the best experience in your sector but the best experience they have had with any product or service. The business has had to learn to respond to the customer and the customer is very demanding, and in fact the more demanding the customer, the better you're ready with innovation. I think if you take that to the public service, it's identifying the customer and meeting their expectations. It's tough to identify the customer because there's the immediate customer, so the government and potentially the opposition but the ultimate customer's the community, so focusing on the community of the customer and the community expectations is possibly the best way of driving innovation.

Virginia H.: It strikes me that the way this is happening in the private sector, that engagement with the customer has been through changing, moving away from old communication models where you would just pump out information but rather doing the whole 360, taking it back and taking on board what the customer is saying. We can all do that now through social media. We all have the ability to do that, including the public sector, but the private sector seems to have done that in a way that has elevated the status of the customer, perhaps more so than public sector has considered.

Catherine L.: Well, I guess you could say in business, the customer has choices so a customer doesn't have to buy your product. He can go buy someone else's product and that might be overseas. It's a global market. Then a customer can be very demanding so if we look at public service or community of the customer but only has one public service to go to, this public service, one government.

Virginia H.: It still has a lot of choices.

Glenys B.: I've got a couple of comments about customer's needs and the demands of customers making one more innovative and I'll take that up with you offline I think. In a sense, what George was saying, the contest for ideas and policy advice is very much contestable now. If we aren't responding to the customer's needs, we become irrelevant and we would be abolished. I think treasury and PM&C are the long stayers but the rest of us, the government does make

changes to organisations and governance and I think it's up to us. We get appropriated a lot of money to run big departments, sometimes small departments so the sole imperative should be on us to deliver as is in business. I don't think we take that attitude. I think we take very much what we've always done and we just tweak it with a bunch of processes that's coming through rather than looking at the whole canvass and saying what can we do with the resources we've got and we've got a responsibility to run it for the long term and to be sustainable. I think some of the lessons and ideas that Catherine had are very much applicable to public service now.

Virginia H.: Michelle, what do u think public sector can do to tell its story of innovation better? I go back to what I said before about the wonderful examples that Dennis keeps, it sometimes breaks my heart when I step inside and see the great work that's being done and the excellent policy that has actually been designed and the systems but it's not, the stories were filtering out there, and this thing comes back to this issue of trust that the public doesn't have the trust it should have in our public service. What do you think the public sector can do in regard to turning its story?

Michelle G.: Again, one of the things that I really learned at Google was that trust and transparency go hand in hand, that the more transparent you are, the more that at least within the organisation you build that trust and then you build that trust externally. One of the things that we've been really trying to work on over the last few months at the ABC is frankly being much more transparent with our staff about the challenges we have ahead of us. I talk a lot about this also externally that we don't have a sustainable model if we are very popular in nursing homes and preschools.

Virginia H.: All my favourite viewers are in nursing homes!

Michelle G.: If you miss families and particularly if 1/3 of families are actually, it's about half of families are hated by somebody who was born overseas and who didn't grow up with the ABC, then how would you find it? How would we run that to you? That's an important issue to lay out the data and say this is what we're doing and if so, this is the challenge ahead of us but also say here are the opportunities we have on some of that programs. Half of that view is on iView. It's not just 20-somethings.

When I was talking about iView, all the senators were nodding oh yes, of course I use iView. It's an absolutely necessary platform and then when you say actually, the idea that audiences have to come to you when they're on Netflix or on Facebook or Apple News, we've made all this great investment, why shouldn't we be where the audience are rather than requiring them to come to us? It is this sense of asking those questions and where does that lead but also being very transparent about that internally, meaning internally you say this is our issue and if we don't change, if we look at just current trends and on a

weekly basis, we now reach about 70% of the population across TV, radio and digital, if that follows current trends and we don't make further investment, particularly in digital news platforms, then we're not relevant to half of the Australian population. That's a problem.

Virginia H.: It's a problem of course. Ladies and gentlemen, we are going to take questions from the audience. Carmel's with a microphone I believe. I was hoping to find a couple of questions.

Speaker 5: I think we probably really only have time for one.

Virginia H.: You can come away though.

Speaker 5: I think I can feel a question coming from the Bureau of Statistics.

Virginia H.: Why not? Heads have not rolled.

Sam Farmer: Not mine yet, Sam Palmer from the ABS. You said that the difficulty is not so much in coming out with new ideas but escaping the old ones, and yesterday, boy have we been reengaged by some old ideas. As public servants in public policy, does any of the panel have ideas or stories about how we can help escape the old ideas?

Virginia H.: Leaning away from the old ideas or escaping old ideas, how does one do that or how does a leader encourage that?

Michelle G.: I think one of the issues that I think we face around not so much old ideas but we have incredibly passionate staff who love to do what they're doing. If you then say there's a digital opportunity or a podcast opportunity, yes we'll do that too. It means you're stretched thinner and thinner and my response back is what are we going to stop doing? One of the lowest ad things that we do that actually free up resources to do new things properly, I think that's the toughest thing to stop doing. It's always yes, and, and, and but again this is something that we used to do at Google. Before you asked, before you were allowed to say, at least in my team these are the five new things we're doing, what are the five things we're going to stop doing? Actually, we very much rely on data to say this isn't working or this is just not a great use of resource and we've been doing a lot of that analysis internally about where do we spend our resource and what is the least productive use of that resource and how do we stop doing that, how do we avoid adjudication or reduce duplication? Were we doing too much of that and not enough of analysis and investigation in news and current affairs for example.

I think the hardest thing for us has been what are we going to stop doing?

Virginia H.: Catherine, what about how does business stop people trying to cling to the

past, the old stuff?

Catherine L.: I think it's really tough but it's amazing what you get out of a fresh set of eyes so changing people's roles, moving them through the organisation relatively on a recently frequent cycle, getting it from different areas on a multidisciplinary basis to talk and question and also having people, I think with the corporate memory point is really important but the people who have just recently come in to the organisation, in conversation across that experience base. That makes sure you don't repeat mistakes of the past but also ask some obvious questions that are so obvious that people haven't asked them.

Virginia H.: Before we do break for lunch, Glenys I just do want to throw one back to you. Coming back to our second poll question, if we can bring those results up again, the question asking people if they had an out of the box idea, what they did with it. I was really hoping that the majority of people will say they ran with it or they're still running with it. I'm not sure we can bring those up. Now I cannot see them here. We're at 43% of those saying that they, if they have an out of the box idea, they ran with it or still running with it but 48%, they told someone about it but didn't necessarily do something else. I want to ask you as the Secretary for the Department of Innovation, are you surprised by the kind of result and disappointed? What's your message to those people who say, 48%, that's the biggest vote? What's your message to them?

Glenys B.: As a generalization, not certainly with my department at the moment but I think horror is probably one of the biggest barriers to innovation. I think we need to break that down. I think when I go out to the state offices or the program areas, they've got some great ideas on how to change these things and reflect on what's working and what's not. I'm thinking why haven't I heard about this? I think we need to break down those barriers, encourage staff to get involved in decision making, empower them to take risks too and I know we use that a lot but we actually in the leadership group need to hear from those that are further down the hierarchy and we've tried to put in a few things like Biz Lab, the student decisions movement and getting policy groups together across all levels as well. I think it does take time. The cultural change is the biggest issue I think and I like the fast fail but I also remember Peter, our guest at one of the IPA, talking about incremental transformation and sometimes you do need to do it in a very considered way as well. It's not easy but we just got to encourage people what to do.

Virginia H.: Great on those hierarchies. It's been a fantastic discussion. We could go on discussing for some time but we won't. We're going to break for lunch. In the meantime, please thank Catherine Livingstone, Glenys Beauchamp and Michelle Guthrie. Thank you.

## **SESSION CONCLUDED**