THE CONNECTED ECONOMY LEADERS ROUNDTABLE
SYDNEY 2018

Credibility, Impact and Influence in 2018

Top Row: **Rob Le Busque,** Managing Director ANZ/India, Verizon Enterprise Solutions; **Phil Moody,** Chief Transformation Officer, Origin Energy; **Kathleen Mackay,** Head of Digital Delivery, Boral; **Robert Wilson,** Chief Technology Officer, Westpac; **Elmar Platzer,** Digital Transformation Leader, CSR.

Second Row: **Jonathon Morse,** Partner, Korn/Ferry International; **Katherine Squire,** General Manager SEO Software Engineering, NBN Co; **Malcom Alder,** Digital Strategy and Transformation Lead, GHD; **Craig Said,** Executive Manager Network Services, Commonwealth Bank; **Jim McKinlay,** General Manager APAC, Verizon Connect.

Third Row: **David Schneider,** Chief Information Officer, Department of Premier and Cabinet, NSW Government; **Marcus Marchant,** Group Chief Digital & Innovation Officer, QBE Insurance; **David Williams,** GM eCommerce and ERP Delivery, Information Technology, Metcash; **Sonja Swanborough,** Director Know How, Sparke Helmore; **James Riley,** Editorial Director, InnovationAus.com

InnovationAus.com and **Verizon Enterprise Solutions** hosted an exclusive roundtable luncheon in Sydney with a leadership group of Australia's foremost thinkers on the connected economy. These Chief Digital Officers, Chief Technology Officers and Chief Transformation Officers came from a diverse range of industries, including energy, banking, insurance, telecommunications, manufacturing, retail and government.

Discussion centred on what a "Connected Economy" means to our cities, to our existing and emerging business models, and to the development of frameworks around identity and cyber that will help drive new opportunities in the Connected Economy.

In the face of accelerated technological change, the conversation inevitably turned to skills, and how do we identify, prepare and motivate a broader set of Australian technology leaders to prepare and to fully participate in the Connected Economy.

At the forefront of the discussion related to strategies for finding a balance between the efficient work of an organisation's operational IT departments and infrastructure, and the need to be open to new technology and innovations that drive new business models.

There is a tension point between technology on the hand, customer service delivery on the other, and drive to innovate with new systems and technology in the middle. The precise location of that tension point is not always obvious – as this discussion makes clear – and remains a challenge for leadership teams.

At this pivotal moment in our history, the Connected Economy ultimately represents the future of growth. Inevitably the discussion turns to the challenges of cyber security and managing the introduction of powerful tools like artificial intelligence and machine learning.

But ultimately, like any conversation about the Connection Economy, the discussion is about managing risk and building capability to take advantage of upside.

JAMES RILEY
Editorial Director, InnovationAus.com

ROB LE BUSQUE:
Welcome everyone. The genesis of this discussion came about at the end of last year when there was a lot of discussion going on around technology and disruption and we started to see some of that reference an Australian dialogue.

So, we thought this was an opportunity to bring some key stakeholders together to give a broad brushstroke of the topic: "What is the connected economy?"

I recently had the opportunity to spend some time with the data science team from Deakin University that had a great use case that illustrates this type of disruption and change.

The use case is this. If you have the misfortune of being in an accident in Melbourne, you might find yourself in a trauma suite at The Alfred Hospital. Once there, for the first 30 minutes that you are in that trauma suite, everything that happens to you is directed by an AI engine.

This is a data analytics tool with an AI engine, containing more than 100,000 hours of inputs from past trauma cases. It takes live feeds from all the instrumentation in the room as well as video and audio from the room and feeds that back in real-time to the healthcare practitioners to help treat whatever is wrong with you.

The results are quite staggering. You would be in the trauma suite for 20 percent less time on average when the AI engine is working.

Why is that important? They talk about the golden hour when someone has experienced a trauma event.

That first hour matters tremendously in relation to your survivability as well as your recovery. So any time that they can reduce the amount of time you are actually in that trauma situation, the better.

The AI engine does simple things like reminding the doctor to stitch up the bits that are bleeding the worst, first. While highly trained professionals have done this for many, many years, some of the simple things get missed.

But it is not just about technology it's about workplace and workforce transformation. It's about skills transformation.

There is impact on the financial operations, there is impact on insurance, liability - it touches every aspect of the organization.

It's a great example of just how complex transformation and disruption and technology innovation can be.

The dialogue today is really about that, hearing from a variety of different industries and segments about that complexity, how you view it, challenges that you identify and how you are looking to overcome them.

DAVID SCHNEIDER:
What I'm working on concerns IT security as well as preparation for the lead up to the next general election or state election in 2019.

Also, I'm participating in a number of initiatives to do with providing digital services and a lot of more digital transactions for the citizens of NSW.

KATHERINE SQUIRE:
I have led a few digital transformations and at NBN the same questions are being asked as to how do we get faster? How do we get more agile? My current focus is how do we lift and shift security. You can't really do that unless you start thinking agile.

MARCUS MARCHANT:
A key focus for us is how we scale our agile delivery across multi geographies and build a repeatable digital backbone for us to test and deploy emerging technologies.

ROB WILSON:
For us it is about how and where do we actually fight. The real disruption is coming from the Alipays, the Tencents, the Amazon's and Facebook. We want to have all that - customers effectively running their lives via third parties on Australian platforms. I think that is an interesting future.

> Do you transform your people by investing in them, or do you transform your people by ... replacing them?
>
> Jonathon Morse, Partner, Korn/Ferry

JONATHON MORSE:
The biggest challenge we see our clients facing is, "how do you transform your people?"

Do you transform your people by investing in them, or do you transform your people by getting rid of a whole bunch of them and replacing them with a whole new bunch of people? With that comes diversity challenges around gender, around age, around culture.

CRAIG SAID:
For me, the biggest challenge we are seeing over the next couple of years is moving our transformation agenda

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forward to be able to support businesses and digital aspirations

SONJA SWANSBOROUGH:
A big part of what we are doing is using process mapping to look at where our pain points are, so we can actually bring in the right tools to scale and make the changes that we require to transform the way we deliver our services.

We are very conscious of the fact that we need to bring our people along with us and that it takes a whole firm to service our clients. Also, as we move into an online dispute resolution world and work on shared systems with our clients, we need to use an even more collaborative to improvement and service design.

KATHLEEN MACKAY:
My focus is digital and the major challenges include building the necessary internal capability required to deliver transformational change in a complex technical and business environment.

PHIL MOODY:
There's a big digital agenda in our organization around the customer. One of the challenges of transforming organizations the size of ours is that customers move very quickly.

Ultimately, I think what I'm building is the capacity for addition and renewal. There are some common things emerging around the table today, but who knows what those will be in 5 years, and in 10 years' time and how do we continue that renewal?

ELMAR PLATZER:
At CSR the roles are separated. We have an additional IT function. I'm on the digital side, not part of the IT team. But we're basically working closely together. I find that both roles require different mindsets. In our organisation, IT is focussed on rolling out and supporting apps and enterprise applications to support day to day business operations. It's all about stability, reliability and the integrity/security of the environment.

My focus on the other hand is on the delivery of new digital solutions for CSR using lean startup, agile delivery models.

We've been experimenting with different operating models that allow us to deliver those solutions in a much more rapid fashion than traditional models allow, whilst producing superior outcomes / customer experiences.

SEPARATION OF TECHNOLOGY AND FUNCTION IN DIGITAL INNOVATION

ROB LE BUSQUE:
One of the things that's come up just as I've listened to people describe their roles is this sort of separation of the technology function within organizations and Elmar described it very well.

There's the operational IT organization and then there's innovation; this concept of design the future that sits separately.

Does that model bear merit? Or are we simply de-aggregating and functionalizing because we don't actually have an idea what to do otherwise?

"I think there is a lot of merit of having two modes of operation. One that is extremely nimble, ... and therefore is able to experiment... And one that provides a counterweight of stability"

Elmar Platzer
Digital Transformation Leader, CSR

ELMAR PLATZER:
Right now, I think there's an attempt of bringing the disciplines together again. I'm not entirely sure though if that's the best way of operating because you immediately start to slow to the pace of the rest of the organisation. Personally, I think there is a lot of merit of having two modes of operation. One that is extremely nimble, is not hamstrung by bureaucracy and red tape and therefore is able to experiment with new tools, methods and structures. Some will work some won't and it's important to be able to keep a very open mind and to foster a culture with a curious mind, willing to iterate and if necessary pivot on everything, including technology, methodologies and organisational structure. And one that provides a counterweight of stability and innovates incrementally and, adopts new tools and, work methods that have been successfully tested

KATHLEEN MACKAY:
I agree with Elmar, it is tricky and the most appropriate roles and structures will evolve as your capabilities in innovation, design and delivery improve.

CRAIG SAID:
I think it depends on the size of the organization but if I just take CBA as an example, our digital group is separate from technology and one of the real problems we have is we don't have enough infras-

tructure capacity to support the digital team, who have a weekly release cycle.

I think on balance, conjoined teams probably works better because everyone gets an understanding of the total ecosystem.

ROBERT WILSON: What is a digital person? What is the talent capability they're going to bring to the firm? I think it is that paradox and to me what we're saying is it almost the loudest voice which is not a great way to run the organization.

I guarantee you you'll just get every organization trying to solve it differently. That comes back to cultures of organizations, and even today, so much of it is around a return to shareholder.

Yes, that is ultimately why our organizations exist but actually how can we lift that conversation from being about a shareholder to being about the customer?

If we make it about the customer, then I suppose the shareholder will get taken care of. So how do we actually generate that conversation as opposed to who is a tech versus customer shareholder?

ELMAR PLATZER: I think there's no doubt that it's about the customer at the end of the day.

I think the way in which we think about this is how do you optimize the right level of change. If you look at Amazon for example, they took basically five years to do a total core reengineering of all their APIs.

They, like everyone, had a horrible mess with all their APIs. If you needed to make significant change, you needed a team of 100, 200 people. In a bank, to do significant change you need a team of probably a thousand plus. And that challenge is

around how do I get what they call a two-pizza team? How can I get a bunch of people that I can feed with two pizzas to actually deliver meaningful change to the organization?

How do I actually deliver granular APIs which allow me to make change so I don't have to do regression testing across the whole world? How do I align that with my strategy?

The whole concept of digital in tech is how do you build a customer journey and support that with teams. So we have a customer journey around all our key transformation programs which have joint teams. There's no digital tech business.

If you organize around the customer, that's the way to bring the organization together. I think a lot of people have separate stories, and they always suffer - chief data officers and chief digital officers. If they have no real view, no real power in their operation outside of the organization, then they're lipstick on the pig rather than driving the outcomes that the organization needs to take.

CONVERGED APPROACHES TO SUCCESS

ROB LE BUSQUE: I think, the best way I heard it described recently was in a discussion with a non-technical executive on a particular disruptive technology.

He asked what we were going to do about this technology and the response in the room was actually that it's not the technology that's disrupting the business, it's the fact that your customers have decided to spend their money somewhere else.

That's the ultimate thing that's disrupting your business model. Really thinking

meaningfully and deliberately about the impact that technology has on the customer experience, because it is whether the customer decides to continue spending with you or not that should determine the success or failure of any project.

KATHERINE SQUIRE: Obviously the whole piece behind pure transformation is gettingthat sort of closeness, but I think also sometimes it can be used as a, "let's keep building features" routine. You're not responding to the customer if you're not doing this, so I think sometimes the KPIs and organizational purpose need to make sure that you're building for the customer in a sustainable, strategic way.

You also need to be an advocate for technology so that it will be there in five years time. It might be different because you've built a team that can change as technologies change, but if you're constantly with to the next latest feature request or whatever it is that's coming down the pipe, because we love our customer, we also need to love them in five years' time.

ROB LE BUSQUE: Arguably, there's a role for someone that sits outside of technology and innovation that represents the voice of the customer, the view of the customer. I do wonder where is that third leg to the chair that truly assesses without any agenda? to understand what the customer is really going to think about this, looking at it from the outside in.

DAVID WILLIAMS:
To add on to that, we used a lot of proof concept work to demonstrate this can be done, this is possible.

A lot of technology I find gets too big before it actually gets launched. It's too big and too hard. Which ends up in a disaster at the end because you've missed the point of customer experience.

SONJA SWANSBOROUGH:
In our space we found that working on shared process mapping with our clients and focus-sing on the overall customer experience, is something that has had the most traction. We've identified the common pain points and then we've been able to go into a collaborative design cycle but with a shared understanding of where our pain points actually are.

ROBERT WILSON:
How do you get to being efficient and customer friendly?

You've got to be looking at how do I use technology and the transformation opportunity to drive operational efficiency? Because if you don't make the transformational change to be able to deliver both, then you're not going to be a sustainable player in that market.

SONJA SWANSBOROUGH:
We make sure that we've got a whole community of others from the business who are taking part in projects or looking in from the sidelines, because without that we're never going to be able to embed it back into the organization, so we're doing that within the file intake space for example.

Lawyers and many professions are very good at what they do and they've perfected that, so you're coming in and tipping all of that on his head and you have to be able to prove that it's really going to make a difference to their day - before they'll adopt it of course.

ROB LE BUSQUE:
What about the challenge of selling the proposition internally and getting it funded?

SONJA SWANSBOROUGH:
That's not been so much of an issue lately. The focus is more on how can we turn this around quicker. We spend a lot of time through proof of concepts and pilots proving that there are dramatic proactivity increases, so funding has not been so much of an issue. It's more making sure that we've got the community of people looking in because they need to be willing to change what they are doing on a day-to-day basis. And unless we brought them along on that journey, you can't just plonk something on their desks.

ROBERT WILSON:
How do you look at the security issues of what you're doing from a digital model?

SONJA SWANSBOROUGH:
Our risk area is very busy, ensuring that we comply with all of our various service level agreements and working through that detail.

We know we're moving much more into online dispute resolution, we know we're moving into a shared ecosystem with our clients, so we have to keep pushing that, because in the AI world it needs the ground that you can only get in the cloud.

MARCUS MARCHANT:
I think from a digital and innovation perspective you need to continually look to other markets to identify trends and see how others in and out of your industry are responding. Australian consumers, both personal ones and businesses, are savvy and have high expectations that we need to incorporate as we build great digital experiences.

The start-up scene is obviously one source of inspiration for us, and we have significantly increased our work and investment in start-ups, and ecosystem partners like incubators and accelerators for that reason. But it's how we bring that expertise back, drive our cultural transformation and create customer value that is key.

MALCOLM ALDER:
I think it does come down to what you measure and how firmly you measure. So lots of companies have 3 by 3 metrics and one for performance and one values.

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A DIGITAL MINDSET

JONATHON MORSE:
We interviewed 3,500 organizations around the world, and interestingly one of the key competencies around a digitally sustainable leader was curiosity.

PHIL MOODY:
I'm quite curious about something you've picked up although it acts from a slightly different angle. Trying to transform an organization I find mine and many others that I talk to are like a virus, they'll kill anything that is different. In fact there are people in the hierarchy that have made entire careers out of doing that, and continue to. And in a sense transformation is completely at odds with that, and I connect that with your earlier statement.

And when I think about my transformation and we're trying to create better, more profitable, valuable ways of doing things. Ways that are in everyone's interest.

My experience isn't broad internationally, but if there is something there that is Australian that is holding us back, because my biggest fights are with my own people.

KATHERINE SQUIRE:
Having had a bit of experience with this I think there are instances where the CEO does not back the transformation.

Then what you're planning is insurgency and they themselves can be successful to a degree, but they will never control the plans you make. So you can maybe through an insurgency reflect people who are like minded. And if there are people in there just blocking you and you don't have a CEO backing you, you are

really screaming from the mountain tops that we're going to transform it.

ROB LE BUSQUE:
I heard it described by a head of innovation and change at a global logistics company a number of years ago as the corporate immune system rejection of change.

It has five phases. The first phase is they just ignore it, the second stage is they question the metrics - we've all seen that, Oh your numbers are wrong and certainly other things.

The third stage is they passively undermine it. So they won't tell you to your face but they'll look to a conversation and every opportunity they'll try and undermine the change agenda.

The fourth is they'll actively undermine it so they'll confront you directly, and the final one if it becomes successful, that they aggressively seek to own the idea.

JIM MCKINLAY:
Last year a courier company was hacked and they were held to ransom. Now they have locked down the systems and the internet so tightly that it's difficult for employees to use the internet how it was originally intended; to assist them in running day-to-day operations.

So, it's a very interesting dichotomy that everybody at this table faces.

JONATHON MORSE:
It's often easier today, especially when you're doing a transformation. It is really about who is ready today? Who has a digital mindset today? Or who doesn't have it today but has the capability to get there?

And then actually who doesn't have it today and he doesn't have the capability to get there? And what we found was literally there has been about 5 percent of people who don't have the ability to get there. But we see so many organizations who just want to throw the baby out with the bath water. Because they've heard about something that another bank or another construction company are doing.

CRAIG SAID:
I don't think it's the people - it's the maturity of the organization and the support you get. To use myself as an example, I have been here eight years and I'm a child of the immigration process. What I realized in the first year or so, that the maturity of organisations and way they work was not as mature as in Europe.

It took me a while to realize it's not necessarily the will of the people that holds back transformation, people are all quite enthusiastic. Mostly they just don't have the experience and the organization is not invested in providing support to deal with the lack of that knowledge.

JIM MCKINLAY:
Just a general question to the team because there are some interesting views here and a lot of feedback. We at Verizon have created an organization called Verizon Connect because we are seeing that most of the people coming up with clever ideas are exactly the entrepreneurs that you talked about. They are the type of companies who can't find the money from institutions and banks.

So how are you as a collective dealing with this issue? If somebody comes with a creative, innovative method of doing your work better, how do you actually

take that individual and the few people that he has employed and help them develop that business for you? Do you do it? Do you tell them to get lost?

ELMAR PLATZER:
We have a lean start-up program at CSR. It provides a platform for our BUs and their stakeholders to test out new ideas using the Lean Start-up method. The process kicks off with a one-day qualifier and successful submissions are then admitted to a 9 weeks program where cross functional teams of 4-5 people work full-time on validating those ideas. At the end of the process they present their ideas. Often teams will pivot their ideas multiple time throughout the program. At the end of the nine-week period, teams present their ideas, and some go on to being funded. Some are purely physical product ideas, some entail digital elements whereas some may be entail digital only concepts.

JAMES RILEY:
Presumably you could become their first customer.

ELMAR PLATZER:
Yes, presumably. If it's a disruptive idea, chances are that it will never succeed within a corporate environment. Then the question is, do we spin this out as a new entity? Do we take a stake in that entity?

And will we double down on the investment if it has legs? So we've been looking at various models.

There is a really important role that all of us have to play internally within our organizations, and broadly within the economic debate, from policy on down about what innovation and digitization really means.

Rob Le Busque
Managing Director A/NZ,
Verizon Enterprise Solutions

ROB LE BUSQUE:
Thank you everyone for your time today. I said at the start that we purposely chose a broad brushstroke to define the conversation. I think it's gone to some really interesting places, I'm reflecting back and I think I was talking to Malcom, and how any advocacy group that's called the "friends of" something is a group to be very concerned about. Because they're usually not friends of anyone, particularly when it comes to local development of applications .

I say this in a jocular manner, but is there an opportunity for the friends of disruption? There is a really important role that all of us have to play internally within our organizations, and broadly within the economic debate, from policy on down about what innovation and digitization really means. And what they could mean, because the reality is they mean something different to every different organization.

How we approach it, how we fund it, and how we set policy and governance for it.

The Connected Economy
Leaders Roundtable Luncheon

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