

VTA State Conference Dinner
The Incumbent's Dilemma – "Fortune favours the bold"

THE BRIEF AND AN EARLY EXAMPLE

My brief for this conference is to speak about digital disruption and address some of the issues encountered with pervasive change.

No doubt you are all here to listen, talk and learn in a time where change is often measured in days not weeks or months and where the consequential atmospheric – often one of confusion - can cloud judgement and alter perception as to key trends and cultural characteristics. I know TAFE has been through turbulent times in recent years and that the sector has undergone significant disruptive change with new settings and many diverse private offerors.

We all experience confrontational elements from the velocity and pervasive nature of change. These elements invariably arise first from digital technologies and then from altered policy settings and approaches different from the past. To survive, better still prosper, changed behaviours and expectations must follow. This has profound impacts requiring adaptive ingenuity with transformed cultures ground up in order to maintain real understanding and relevant connection.

I will offer some thoughts on key elements of disruption. Then provide some views on the future allied with some lessons about the challenges, and finally turn to what I would describe as 'the new normal.' As this is my self-imposed 'year without PowerPoint' there are no slides – just a prepared speech with ideas to stimulate conversation in what I hope is a useful way.

Some of these issues were raised in my MUP book from last year – *Rules of Engagement* - in which I observed that as a result of many of the technology and allied behavioural changes which we are all experiencing, effective leadership has changed markedly. These forces are not subtle, indeed they are immutable and unstoppable and have an almost 'tectonic' force. I think Australia could manage the change better than it is presently.

People often say the world is changing. I think this misses the point. The world is not changing – it has changed. We have witnessed the largest power transfer in human history. I refer here to the historically unprecedented transfer of power from producers to consumers. The significance of this shift is difficult to exaggerate and impossible to stop.

Those who ignore the essential elements of that change where consumers are now genuinely in charge, are destined to fail. Those who enter this new environment with open eyes and a determination to adjust and adapt will prosper and create remarkable opportunities, central to our society's future because they understand the need to ensure an enterprise ecosystem which comprehends consumer empowerment. They recognise the need to ensure the right cultural settings which will drive innovation and draw from its central life force.

These issues will become ever more pronounced in the education landscape both as to where students seek to study, how they assess the quality of instruction, delivery, measurement and management.

We all need to have our feet on the ground and to be utterly realistic, recognising that these changes mean that standing still is not an option. Confronting these potent forces which drive reconfiguration in traditional areas of life is not easy. Relevant responses and new approaches and products are essential if one is to drive durable futures.

Take one striking example - there is no question that the whole basis for what once constituted print media journalism has been upended. I would say from my own experience that it has been challenged by three key fundamentals. Many elements are echoed by other sectors equally.

First is the governing zeitgeist of consumer behavioural change that permeates the digital arena and has changed forever the manner of exchange, discourse, consumption and trust as between producers and consumers in many and various ways. Young people even those in their twenties and thirties rarely if ever read newspapers. Magazine readership with the young is in catastrophic decline. It reflects that one constant - the transfer of power from producers to consumers. And that is not going to change. Period.

Second, with newspapers particularly is the collapse of a once solid revenue model. A foundation with immensely valuable remarkably reliable display and classified advertising at its core that provided such a stable and profitable model on which print journalism's business model was predicated. That has vanished and has been replaced by a profoundly unstable revenue source which offers a shadow of the advertising streams of even seven years ago. Gone, never to return.

Third is the slow, hubristic, determinedly ponderous response by established print media journalism companies to the first two gigantic issues which have reflected such tectonic force. This slow and often rejectionist response has rendered their survival into a zone of unprecedented challenge with a serious question mark hovering over whether existing print media companies do indeed have the relevant resources, capability and capacity to innovate and genuinely change, so as to reinvent themselves.

The answer to that is still far from clear but there are signs of a genuine incapacity in some to embrace the trends and respond in fresh relevant ways which truly comprehend the nature of the forces at work. Some elsewhere have addressed themselves to reinvention but given the problem's pervasiveness such responses are surprisingly few in number.

The same can be said of many TV and radio broadcast media companies and of many other aspects of publishing and entertainment delivery. They are about to see cyclonic turbulence as never before. Indeed with many incumbent players in other industries the responses have been similar – look at the retail revolution or the coming one in finance and health and you get the point.

Dramatic change is everywhere as reflected in utterly different models and related behaviours. The game has changed. Time to reinvent.

INNOVATION – ECOSYSTEM FOR CHANGE

The subject today as it has been for over twenty years in this high stakes roller coaster of change, is innovation.

Innovation is something we talk a lot about in Australia, and spend a lot of money on – around \$1000 per person on research and development. There is now an added imperative as innovation is central to responding

capably to the effects of digital change and its global impact in worldwide connectivity in all sectors of the economy. Managed programs of innovation in Australia have an uneven history in effectiveness - often frighteningly poor.

To misquote the great singer / songwriter Bobby Darin and his classic hit “Multiplication” - in today’s world ‘Disintermediation is the name of the game’. ‘And new generations will play it the same’.

Disintermediation is a long word with a simple meaning – it means the reduction in the use of an intermediaries in transactions between producers and consumers. Technology is driving disintermediation in all things – the possibilities are of course endless whether in services such as finance, real estate, retail, government or consumer products and services.

I have recently revisited the insightful observations of Brian Arthur – the Silicon Valley economist, technology writer and researcher – from several years ago. Arthur was a pioneer in writing about the dynamic impact of digital change in profoundly deep analyses – he spoke to disintermediation with a clear eye.

Arthur asked us to consider what happens when you book in to catch a plane. He pointed out that from the moment you stick your frequent flyer card into that gleaming machine to get your ticket, ‘you are starting a huge conversation conducted entirely among machines’.

As he evocatively wrote, ‘Once your name is recognised, computers are checking your flight status with the airline, your past travel history, your name with customs, your seat choice, your frequent flyer status and your access to lounges. This unseen, underground conversation is happening among multiple servers talking to other servers, that are talking to computers which check with passport control, with foreign immigration, security services and with on-going connecting flights. And to make sure that the aircraft’s weight distribution is fine, the machines adjust the passenger count and the distributed seating.’”

He saw this vast system of interconnected networks and systems talking to each other as a true second economy – all about disintermediation.

The implications? This second economy is entirely automated and already powers the physical economy. It's contributed massively to productivity growth since the mid-1990s. And it will go further. The second economy has grown quickly and has probably overtaken the size of the physical economy already or will do so in the next couple of years.

Arthur convincingly argued this may well amount to the biggest change ever in the economy. Bigger than the Industrial Revolution - a deep qualitative change that is bringing intelligent automatic responses to the economy and its future personality.

As automation is guaranteed the implications for work have not been resolved and many signs offer some measure of alarm as to where workplaces and work profiles will evolve and how they will travel. We are seeing the writing of a new set of rules and challenges in the operation of strategy, labour, training, investment and retirement.

SOME FUTURE PREDICTIONS

Making future predictions is always a risky business. The famous futurist George Gilder in the 1990s predicted the death of television before the start of the 21st Century. A bold effort with a messy outcome for him. But really all he did was get the timing wrong – TV as we know it will change completely in the next decade – it is happening now!

So at the risk of getting the timing or other elements wrong, here are some of my predictions as to central elements in our digitally empowered future:

- The inexorable trend in power transfer to consumers will accelerate.
- Consumers will channel trust to their friends and with online communities of strangers before they trust traditional authorities and commentators or well established brands and institutions. This is of immense significance to modern commerce and government equally.
- Fragmentation in all things will accelerate. Outcomes will be unpredictable. The only constants will be the certainty of relentless innovation and disintermediation. The inevitability and necessity of transformational change is absolute.

- The current stark reality that whilst growth in consumer devotion and commercial activity is all digitally derived, from a content and services perspective other than for a few stand out models, there is still a confronting process of trial and error in play. Many sustainable commercial content models are still unresolved. But as they are worked out, much financial carnage will follow – these are going to continue as very choppy, unpredictable times.
- Which means that the turbulence and speed of change, the disruption and breakup central to digital life is going to be with government, business operators and investors for a long time because upheaval and all its, in many ways, messy impacts has only just begun. This will require resourceful innovation to succeed with the broad community and the myriad niches in society.
- As part of this turbulent process technology will continue to become an almost genetic extension of ourselves. Touch, gesture and voice commands are all becoming second nature in modern product constructs embedding technology patterns and personalities from the youngest age. The technology is now an embedded part of most of us and for anyone under eighteen almost core to their being. The new cultural paradigm is that if I can imagine it, it simply has to be there – I just have to find it (or invent it myself).
- Equally important is that notwithstanding the unpredictability and insecurity such turbulent change and consolidation generates, the opportunities will be infinitely bigger and very much more interesting. Change is a given but the liberation to human ingenuity with this era of inventiveness unleashed and the opportunities it affords, is central to society's future. The journey is still in its infancy. That outlook is confronting for traditional modes of thinking and planning in this country which I would observe is innately change resistant and often very fearful. Australia has a limited appetite for risk.
- The ubiquitous connectivity by wireline and wireless technologies and their network speeds will increase inexorably, matched with ever more sophisticated software tools empowering change in the

way in which we produce, manage, store, deliver and consume information and new services and products.

- A central element on which there can be little debate is that mobile technology and all its software tools will continue to rise. And rule.
- Consumers now expect mobile devices to become the central controllers for other devices and services in their lives. The handy 'computer in your pocket' will rule the day with ever better functionality. Consumers will demand that wide variety of devices work together harmoniously and seamlessly. But more than this they will want them to work together in ways that change fundamentally how they consume and interact with content and a vast array of other life services – such as education. They expect the technology to know them and anticipate their wants and needs.
- On the other hand the digital divide is very real and will expand with the fresh irony that the wonder of all that is available will also see a new information 'dark age' for many who will be 'locked out.'
- We will continue to see increasing consolidation in markets and ferociously heightened competition where technology smarts will define both the battleground and success.
- Large international software players who innovate for a living will offer a stunningly wider range of products and content services, increasingly through worldwide distribution management where geographic separation will become ever less relevant. Nations and their legal frameworks over time will be substantially bypassed – disintermediation on a massively unprecedented scale – you see evidence of this in some current parliamentary inquiries.
- New players and on-line providers will continue to grow and enter the Australian market place which will be remarkably vulnerable if it doesn't change the game as it operates currently. We attach too much virtue and benefit to incumbency and it means many large players are unusually vulnerable because they have the wrong cultural settings with an incapacity to respond swiftly and with requisite confident agility and with clear thinking focussed on core purpose and quality of outcome.

- The whole will be greater and more interesting than the sum of the parts and the speed and breadth of innovation will be as daunting as it is inspiring even thrilling at times.
- Education will be reinvented. Online delivery is already central to ever growing environments but this will see ground shifts in delivery where MOOCs only presage really serious incursion into domestic delivery in markets like ours from providers elsewhere. Students will make hard and rapid judgments about all comers.
- In consumer land driverless cars, enhanced reality systems will astonish with virtual phones, computers and TVs and many other elements becoming commonplace. Intelligent shopping systems and oral instructions to most devices will become standard. And most of it will of course be seamlessly connected and automated.
- We will continue to see intense changes where disintermediation becomes a second nature process in the economy – especially through big data which will drive productivity growth of the physical economy while driving productivity and value in its own right.
- An allied force will see a lightning speed in uptake of increasingly intelligent software tools and their partner - pervasive automation, where machine to machine conversations will be central to society and its operation. M2M will be as common a term as B2B and B2C
- Fundamentally central to this new world is social media, based increasingly on mobility extending into active consumer directive engagement with new products and services and other applications we have yet to know we want. And of course the ‘instant expert’ now an established part of digital social life will become even more irksomely pervasive!
- The phenomenon of the post 1981 generation – Gen Y or the "millennials" depending on your preference - sees a large ‘instant expert’ community which has a different attitude to self, work, play and interaction. It needs to be understood if one is to productively engage commercially, politically, creatively and very much so in creating durable employment environments. This is a spectacularly difficult challenge from my own experience with workforces numbering many thousands.

- One of many elements which will become part of our future I fear. is the growing incapacity to sustain concentrated thought over extended periods of time. This tendency is seen in a general flightiness and multi-tasking in various ways today. Personally I think it challenges traditional models of thought and learning.
- In other more positive arenas personalised medicine and genomics will be matter of fact realities and they will transform all healthcare delivery. Over time it will see a flip where it will be more about wellness management rather than sickness care.
- The implications of all this are immense – for example take just two examples – driverless cars and personalised medicine with its genetic intelligence and pharmacogenomics in delivery. Both will result in reductions in costs, new found wonders in efficient operation and a wealth of new possibilities for the quality of life.
- From all of these changes we will continue to see changes in our political systems and the way we relate to each other as fellow citizens. Who knows where that will take us all culturally?

Does it reflect a strange amalgam between the writings of J G Ballard, Phillip K Dick, Aldous Huxley, Carl Sagan, Isaac Asimov and George Orwell? Does this all seem remarkably dystopian or will it offer new horizons of wonder, optimism and social improvement?

Truthfully probably yes and no. And before we get carried away let's remember that genius Alan Turing was way ahead of his time imagining many of these things over 60 years ago. Indeed his views on pattern formation and tests for computers with Artificial Intelligence are still in use today. Not quite *the more things change.....the more they stay the same*, but a reminder that innovation in thought and delivery has durable elements if you get it right.

Whatever, we are up for a fascinating ride - adoption and adaptation are key.

A RECENT SPEECH ABOUT INSTITUTIONAL CHALLENGES

I recently spoke at the National Museums Conference and in that speech said that the body of Australian and New Zealand institutions represented some of the most potent creative institutions with resources which confront the most fascinating and deadly feature of modern

society – what I would describe as a fascinating paradox in such an information rich age - I am referring here to what I describe as the unwavering march of general ignorance. I said their challenge was to confront it head on, no ifs, no buts. A head on direct knowledge attack on growing general ignorance.

I observed that many at the conference might think I was misdirected and gave some examples as to why that was so. And then I said that notwithstanding the wonder of the internet it still provides the essential challenge. A challenge particularly for museums, galleries and the great libraries of our nation in the year 2015 and beyond. I would add here that for any education system or individual institution it applies every bit as severely. It is a challenge which is both confronting and healthy. A challenge which has many component parts.

It is seen where the instant expert presents views on a daily basis. The challenge of that expert where she or he is empowered with remarkable resources as never before, invariably from the friendly omnipresent ‘computer in your pocket’ with immediate access to so much, some would argue virtually all, of the world’s accumulated knowledge.

But and it is a very big B. U. T, so often the reception of that information is absent the discipline of listening, analysing, synthesising and assessing in terms of context, relevance, perspective and the necessary scepticism which conditions all good, disciplined thought. Disciplined thought which provides the bedrock of clear thinking and good learning.

All too often it is also absent the inherent insatiable curiosity which drives real evolution and improvement in thought, teaching and learning in core knowledge acquisition and transfer for humankind. Curiosity and its valuable partner scepticism are frequently absent in the search for an immediate answer and the opportunity to present an instant opinion.

We live in a bizarre netherworld where narcissism increasingly rules the day. A netherworld where citizens feel unconstrained in offering opinions, often extraordinarily firm confident ones, with alarming assertiveness on the altar of nothing more than their own ‘feelings.’ “The vibe”!

Often those opinions are landed with no more perspective than a single often anonymous source on any diversity of subjects without regard to perspective, alternate propositions and in blind disregard for the time taken to think, learn, test, listen, refine and then offer a considered view. Which, consider me old fashioned, has usually in the past been seen as essential to the process of providing ‘worthy opinion.’

Therein reposes a core challenge – how do we refashion institutions to respond in ways that unite people with the glory of knowledge and study afresh, in a way which is imbued with some humility and respect for disciplined approaches – asynchronous by all means but rich with care?

We live in an era of conundrums. It is often said that volatility, uncertainty, complexity and ambiguity are the bywords for the current era. In the inevitable way of things it even has its own acronym – VUCA.

The challenge seems to me to repose in how we marshal the amazing education and cultural resources of the nation – individually and generally – to ensure that we are providing stability, confidence, simplicity and clarity in sharing knowledge, creativity and the power of disciplined thought and learning. Our own new acronym – SCSC

CHANGE AND THE ‘NEW NORMAL’

Let me now turn to the processes which command our attention in the current era and the lessons or themes I would observe are central to the experience of it and the phenomenon of what I would term ‘the new normal’ - one demanding reimagined organisational responses.

The notion of periods of stability and static movement followed by modest incremental change or bursts of invention have gone. The evidence of this business and consumer revolution is everywhere. Incrementalism is an historical facet of 20th century culture - not of now!

We see it in the changing consumption and interaction habits, driven by digital technology around us. Think of how you graze the world and buy things now compared with your parents. Imagine what will happen with autos, real estate, retail, health, finance or insurance. Each will in fifteen years’ time, carry little resemblance to operations today – perhaps only with government will we see a remarkable lag in catch up and capacity to change effectively.

I am sure you will all have your own examples of this change. But I think few of you would disagree that it's upon us like a hurricane. Here are a few observations as to core themes from it all.

My first observation on change is that implicit in what I have just described is the notion that old paradigms are breaking down or are indeed, already broken.

The paradigm shifts are obvious to many of you – to use the models with which I am most familiar, the technological and consumer distinctions between television, radio and print have broken down, driven by the internet with astounding advances in connectivity and mobility. Consumers are now in charge.

They demand their information and entertainment be delivered across multiple devices – in a way that is tailored. There are instant customer feedback loops through social media or other media.

Barriers to new entrants have tumbled so that new competitors emerge daily - and often they do not look like traditional competitors. They are fuelled by a new phenomenon – the cost of failure in a digital world has never been lower. This empowers innovation as never before.

The same is true in virtually all other arenas. At a minimum this paradigm shift says that enterprises must become much more agile in the way they approach consumers with changed operational models and their use of technology.

Connected successful enterprises are open to new modes of work. They accept that they have neither a monopoly on wisdom or talent. They understand they must test, listen and learn. They understand the imperative to adopt collaborative models.

And they comprehend the necessity of cultural transparency because if they don't change, the possibility of failure rises exponentially and they will not enjoy the trust and confidence of their workforces, external advisers and above all customers.

And that is because there are two major currencies in the 'new normal' – time and trust. the old paradigms are either breaking or have been broken.

My second lesson is that, increasingly, data trumps intuition. Let's start with a business we all know - advertising agencies - and Sterling-Cooper from Mad Men.

Let's go back to the end of Series 6, where we reached 1968. You may have noticed that no one then had a mobile device—the first having been invented in 1973. And no PCs appeared on anyone's desks yet — they followed in 1977. There's not even a mainframe computer in the basement crunching the numbers on who likes Hershey bars.

In the absence of data, Sterling Cooper relies heavily on one thing: Don Draper's increasingly shaky consumer intuition, lubricated by a daily bottle of Canadian Club. We can already see that he's on a downward slope. But imagine if the series continued to 2013. It's certain Don's intuition would be replaced by forensically insightful data produced by statisticians – likely twenty-something's wearing flat caps and sporting impressive Ned Kelly style beards.

The advances in analysis by statisticians in recent times have been astounding. Developments in data collection, storage and analysis – known collectively as 'big data' – have and are transforming business and consumer horizons. I am sure many examples come to your minds – hopefully from your own enterprises and experiences.

The application of search is the best example - from jokes to physics; real estate to recipes; employment to games - big data means that we all now think differently. After all algorithm has become part of everyday vocabulary – who would have thought that was possible?

Governments seem to be about the last to really understand just how significant it is as a core tool and vital skillset to modern thinking - other than for their continuing assaults on journalism with the metadata legislation recently, they are often lost in the digital shallows or shadows.

My third lesson concerns leadership and behavioural approaches. Leadership today is really a sophisticated team endeavour.

If you think of all the complexity and change around us; with the daily rise of new competitors; the wide dispersion of skills and talent across the world; the speed of change; and relentless rise of new software and commercial models; the allied adoption of co-operative problem solving and product development models; then it is simply impossible for a leader to be anything other than the leader of a team.

The 'lone ranger' style of leadership or highly hierarchical directive model rarely works well with large educated work forces today, nor can it respond to the velocity of the change we are all experiencing because it lacks requisite attributes of comprehensive knowledge and all important

flexibility and agility. The technology demands new approaches to be applied and understood well. The old ways don't work.

An aligned leadership behavioural requirement is that one must not only speak clearly, but also listen - even more clearly. Close listening is fundamental to working effectively today. The whole fabric of success personally or in enterprise reflects the need to listen, closely and well.

Clarity in open communication; careful listening with built in feedback loops; and diligent responses are central to modern enterprise leadership. As is transparency which is an increasingly welcome aspect of a new order in in commercial and public life – think New Zealand and its splendid approach to government openness – a national conversation. Exhilarating!

I might add, I don't think it can be observed often enough that in this connected world, a whisper can often be much louder than a shout. Think of social media and the impact it has had as one of many examples of the phenomenon of what I might term 'whisper power'. Examples abound – take the 'Twitterverse' and too many others to detail today. It is a complex matter with good and equally troubling aspects.

The final lesson involves some observations about regulation. I have to say that when I look at all the change that I have experienced and then I look at what politicians and bureaucrats are doing in Canberra and the states and municipalities and any number of government authorities, I fear that we are often living in parallel universes. I really worry that there exist today, to paraphrase the wonderful thinker CP Snow, two cultures: - those of us who work in commerce and those who work in government. I don't want to be melodramatic about it – but things have reached a serious divide, driven by different experiences, different views on the world, different ideas about how to solve problems, different views on efficiency and effectiveness with very different often non-aligned incentives. It all too often creates a policy muddle.

At its worst, Government seemingly wants to regulate for every eventuality or in response to almost every matter raised, about which there is some public fuss. It is self-evident that legislation is slow to respond to consumer feedback loops, decisions are often driven by knee jerk reactions, and/or simplistic ideology, pet hates, or a concern to get square with perceived opponents. Above all the crushing impact of increased regulation on Australia and the energy field of our society is

not sufficiently taken into account and so often it demonstrates an incapacity to deliver creative responses which are part of a new way of thinking. All of which of course presumes that front end policy settings are right from the outset and clearly that is often not the case – especially it would seem in some of the exuberance attaching to refashioned vocational education and training, where blind focus on market mechanisms can blind one to the quality and standards necessary to secure consistent quality and practical outcomes.

Nevertheless assuming settings are right on the way in, as with professionally well managed public policy they should be, then our regulatory cultural style is generally from another time often sapping the economy of the energy we need to apply in this changed landscape. We need to speak frankly about this. Society's energy resource in management effort is as rare as capital and all too finite. We only have so much energy and governments and regulators need to respect the resource and comprehend how debilitating the increase of often mindless process can be when compared to a managed approach focused on deliverable productive outcomes - seen, for example, in many of our Asian neighbours.

We are a small population in a vast land in a region which is the crucible of economic and talent growth in world affairs. And we speak English which is a virtue and curse equally – liberating possibilities or condemning us to irrelevance. I would suggest we are underperforming demonstrably and that performance gap will grow unless we respond in different ways to the change tsunami upon us.

There are so many opportunities to miss the boat – the possibilities are limitless. I remember that old saying there are three kinds of people – Those who make things happen. Those who watch things happen. And then there are those who say stand back and say 'what happened?'

FINAL OBSERVATIONS

In closing let me say adaptive change in response to this rapid digital disruption era is hardest for established players as they have been conditioned from past success and relatively secure business models with well defined, often quite predictable settings.

Getting management bandwidth and attitudinal commitment to focus on innovation because of the inevitability of major disruption is a genuine operational and cultural dilemma.

In my view the winners will establish 'digital DNA' in their organisations, based on many actions from reviewing skillsets, to governance, through appraising their capacity to embrace new 'agile development' models.

It requires a willingness to replace outdated ways of planning and execution in order to manage rapid transformation and purpose renewal. Reviewing the strategic planning process in all enterprises will provide the key question - is planning and execution adaptive and responsive to often confusing signals? Do we understand asynchronous processes?

Let me finish with a simple reminder - the net has no respect for the establishment in and of itself. Incumbency counts for little in the digital era. The internet is a furiously strong levelling agent. New paradigms in all things are becoming commonplace. Nothing and no one is safe. These are genuinely different times with openly different demands. This takes courage and knowledge. New armies of daring thinkers reimagining much of society and its possibilities are needed. Good for teaching and learning I would say.

On balance it is clear that fortune will tend to favour the bold. Thank you.

Kim Williams
16 July, 2015