

smartCIO

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A CIO Reborn

One man's journey of hard work
& self reflection

**William D.
Confalonieri**
Chief Digital Officer & CIO
of Deakin University

Securing Digital Transformation

Top Tips from Cyber Expert Bryce Boland

Partnering for Performance

The Inside Story from Latitude Financial CFO

Diana Mackenzie

Former Workday CIO shares lessons
of her CIO journey

Digital Disruption

HOW TO from the CDO of PwC Australia

Recipe For Success

CIO of Victoria DHHS Dishes on Digital Innovation

A Note from the Editor



Welcome to the first edition of Smart CIO, Workday's quarterly e-magazine for the busy Chief Information Officer. Our mission is to share the latest tech and leadership insights and create a community amongst practising CIOs and those aspiring to become one.

This edition's cover story focuses on Deakin University's CIO, William D. Confalonieri. Committed to changing the perceptions of technology in everyday life, William and his team introduced *Genie* to the Deakin campus. The platform uses chatbots, AI, voice recognition, and predictive analytics to create a personalised digital companion for the students. It goes beyond everyday usage to something much bigger.

"For the first time in history, we can use the emotional capability of technology," William said.

This is the premise of Smart CIO. It's not just about the technical side of the role. It's also real conversations around vision and leadership. How can we use

technology to inspire and enhance both business and customer experience? What does a successful digital transformation mean for organisations and their products?

Workday's former CIO Diana Mackenzie echoes the notion that CIOs "play a leading role in driving their organisation's digital agenda." She shares how she's gone about it during her long career in our *CIO Q&A*.

And if you expect to drive the digital agenda, you need the buy-in of your fellow C-suite executives. Adrienne Duarte, CFO of Latitude Financial says that the relationship between the CIO and CFO is, "critical." We explore more in *Partnering for Performance: The Value of the CIO-CFO Dynamic*.

CIOs are also expected to be exemplars of good leadership. Steve Hodgkinson, CIO of Victorian Department of Health & Human Services, illustrates "seven leadership enablers of digital innovation," in *Leadership Concepts for Successful Digital Innovation in the Public Sector*.

Vishy Narayanan, Chief Digital Officer at PwC Australia says digital innovation and disruption is, "not evolutionary change, but radical." He has some great advice in *Disruptors in the Digital Age and How to be One*.

And as our resident cyber-expert Bryce Boland explains in this issue's column, you need to keep security top of mind as you go about *Securing Your Digital Transformation*.

One thing we've learned in creating Smart CIO, is that the men and women working in the sector are the best knowledge base you could hope for. We hope you find their insights and advice as valuable as we did.

And we invite you to join the conversation.

Jennifer Alejandro

Editor-in-Chief

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A CIO Reborn

William D. Confalonieri, Chief Digital Officer
& CIO of Deakin University

William D. Confalonieri didn't start his career thinking he would become a CIO or Chief Digital Officer, but he loved technology and hates being bored. With a lot of hard work and self-examination, he made himself into a leading CDO, bringing premium digital experiences to the students and faculty at Deakin University.

With his Argentinian accent and passionate turn of phrase, William D. Confalonieri doesn't come across as the stereotypical IT professional.

That's fitting, as the Chief Information and Digital Officer at Australia's Deakin University is making his name upending expectations and changing deep-seated perceptions about tech in everyday life.

His latest success is Genie, a personalised digital companion

for Deakin students. The award-winning platform uses chatbots, AI, voice recognition, and predictive analytics to support students on campus and off.

Genie will remind students if they need to study for exams, keep track of all their appointments and even provide some encouraging words at the right time.

For Confalonieri, Genie is the fulfilment of a dream. As a young man, he imagined the world much as it is now, where technology and networks impact every aspect of life.

"I wanted to be part of that future," he said.

This dream drove a fascination with computers and electronics. And allowed him to eventually create an app that could literally transform students' lives. Representing the kind of technological future he envisioned in his youth.

"For the first time in history, we can use the emotional capability of technology," he said.

"When our students initially experience some of our innovations they say, 'I love this.'

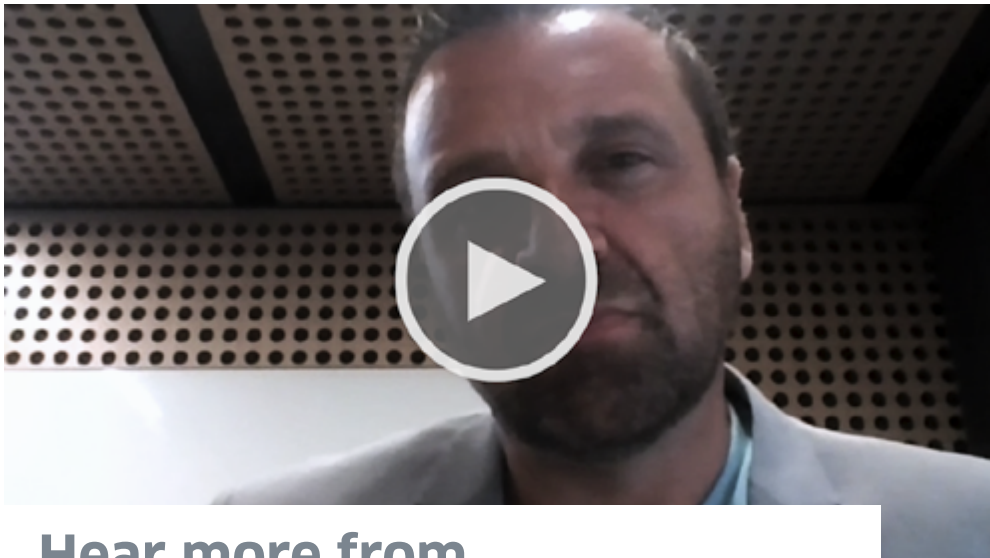
"We are touching hearts, that has been a quite important philosophical change."

Are smart CIOs born or made?

Confalonieri says he didn't start his career thinking he was going to be a CIO or Chief Digital Officer. He started studying computer science because he loved the subject.

He took to technology, studying electronics in high school and later getting a diploma in Software Engineering and a Master in Computer Science. He was good at the technical side of things, and as often happens, was made a manager quite early in his career.

Confalonieri's willingness to recognise his own limitations is one of the secrets to his success. He realised he didn't have the



Hear more from William D Confalonieri

Passion for his life and career

William Confalonieri has been Chief Digital Officer and CIO of Deakin University since January 2012. William brings a wealth of experience from both the private and public sectors and specialises in large scale digital transformation.

He was awarded Australian CIO of the Year 2018 by ITNews. He is in demand as an international keynote speaker and publishes an organisational future-proofing blog, Fluid Transformation.

soft skills needed to manage and motivate people, or deal with corporate politics let alone understanding business strategy.

“I detected many gaps in my formation. So I started to study again. I immediately started an MBA, I did plenty of post-degree activities in strategy, in managing people, in negotiation. That was the beginning of my journey – understanding my limitations and trying to overcome them by studying much more in other spaces.”

Gaining new skills is one part of the story, but Confalonieri also had a choice to make. “In this space you can take two paths – you can go to be a deeper specialist or you can go to a CIO role.” His choice reflects his views on the importance of the CIO role, and how it has changed over the years.

But it’s also clear, becoming a CIO was a journey of self-reflection and hard work. In a career that has seen him continually ‘reborn.’

Experience first, technology second

After investing in new skills and triggering a change of mindset, he wondered, how do you take things to the next level?

For Confalonieri it was a matter of gaining trust, but first you have to make technology “invisible,” he said.

It is his analogy for technical excellence.

“The moment that technology is visible – with network failures, storage failures or applications failing, I would lose immediately the possibility of being strategic for the business,” he told Smart CIO.

From that base of technical excellence, he was able to pitch his innovative ideas for the future and implement them. He started with small projects. With each successful delivery, his reputation grew, students were happy, and the projects got bigger and bigger. Today, he says he can approach the board with “any crazy idea” and likely get the green light because they trust him.

For the most part, those crazy ideas turn out to be good ones, like a Smart Campus, the digital framework he’s developing at Deakin. As just an example, students can use an integrated mobile app to find their way around campus, avoid crowded areas, and receive personalised notifications. The kind of seamless digital experiences the students have come to expect, and exactly what Confalonieri believes CIOs or CDOs should be focusing on.

“We need to deliver beautiful, consistent, inspiring, premium experiences to our customers. Everything else is an implementation detail,” he said.

From backstage to centre stage

Confalonieri is a strong advocate for the CIO as business leader.

Long gone are the days of CIO as order-taker, passively aligning their department with the boss's business strategy. To him, that model is "a recipe for failure today."

A CIO is much more valuable when they use their unique position to anticipate possible weaknesses and inform the business – and actively influence the business strategy to "really survive into the future."

According to Confalonieri, the beauty of the CIO role in the digital age is that it is truly a horizontal one. Unlike many other heads of business areas, the CIO has the advantage of working with every single team across the organisation, understanding the processes, the pain points and ways to improve performance.

"I believe most organisations are still following the industrial age model. Vertical towers. When now, in a customer-centric reality, organisations need to be more horizontal, we need to embrace the customer across all the touch points. The integration of functions at a horizontal level is essential to be able to deliver premium customer experiences."

That is exactly what Confalonieri has done in his stint at Deakin University. It was a gradual process, that faced substantial resistance.

"Organisations tend to think that technology people are only the

backstage crew taking care of the cables and the servers and the storage. I needed to provoke the change in mindset in the organisation to be able to do what I am doing, that is to really be a central influencer of the business strategies."

Most of all, he had to change the mindset of his own team, who had become accustomed to working backstage.

"I needed to change the culture to say 'we are scouts, we are explorers,'" he said.

An explorer mindset takes control and leads, showing how the right technology can benefit everyone in the university environment. It creates a successful team that drives change.

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Top Tips For Securing Digital Transformation

By Bryce Boland, former Asia Pacific CTO of FireEye

The challenge of business in the modern world puts the CIO at the epicentre of transformation, as customer interaction moves online, anywhere and anytime, supply chains are disrupted, and legacy operational myths are busted. With all this disruption, one topic is always top of mind – how to ensure this new operating model is robust against all the threats it will face?

Securing your digital transformation is more than just bolting on some security as an afterthought. It needs to be an integral part of the thought process – because if it isn't resilient as you build it, the chances are good that your systems will be exposed and exploited. The reality is that weak and vulnerable systems are exposed to nation state and organised criminal activity on a massive scale that puts everyone in the crosshairs. Here are my top tips for securing your digital transformation.

Who handles security?

Let's start with the most obvious point – you need someone to be accountable for security, and specifically you need that person to be accountable to the business leadership for ensuring that the transformation projects will be executed with security as a core objective. If you don't have a CISO, sometimes that responsibility will fall to you, and you may want to appoint a senior security leader to drive security into your most important programmes.

Protecting private data

Next let's talk about privacy. Privacy is both an emotional and a legal topic. It's emotional because it involves personal information about people who trust you to treat it appropriately. And it's a legal topic because lawyers in the EU, Australia, and many other countries are giving privacy legislation a significant overhaul in light of citizens' expectations. Privacy is not only a customer expectation, it's a financial consideration that can affect the bottom line and even business viability. GDPR fines of up to 4% of global revenue are possible, and we've already seen fines up to 50M euros levied for failing to implement appropriate controls. Failing to protect data privacy could destroy your business.

A large part of modern business involves collecting copious volumes of user data, from their PII (personally identifying information) to how a specific user interacts with your online systems. This information is valuable for your customer support, marketing, sales and even product development teams. It's also a goldmine for criminals and a potential source of intelligence for nation states. Start with a mindset of concern for your customer's data security and privacy, and ensure that how you collect, process and store this information will protect your customer's interests. Data privacy is part of a customer centric mindset.

Bryce Boland is an information security executive and technologist with over 20 years international experience in Security solutions and Financial Services Industries.

Former Asia Pacific CTO at FireEye – one of the world's premiere global security providers

Bryce Boland's Three Keys for Success to Privacy

1

First, you need to be able to identify all users of your systems – that means having good enrolment processes, and strong authentication. This isn't just about knowing who your customers are, it's also knowing who in your organisation has access to systems, as well as any third parties involved in your business. If you don't know who has access to, or has accessed data, there's no way to know if that data has been seen by people who shouldn't have.

2

You can't rely on a password alone to protect access to sensitive information. Strong authentication addresses the problem of password reuse. There are already billions of username and password combinations of your customers and staff that are readily available to criminals from previous breaches. Most people rarely change their passwords, and if they do it's often a trivial adaption of a previous password. Passwords alone are too weak to authenticate someone for access to sensitive information.

You need to ensure that only properly authorised users get access to sensitive data. Call this data protection and not encryption: encryption is technology, data protection is an outcome. The goal is to protect data from inadvertent disclosure, tampering or loss. In short, protect the data when it's in use, in storage, and in motion. Start with the simple things first like making sure all sensitive data is encrypted to prevent inadvertent disclosure. Access to the database of customer data should not automatically mean access to the customer data – that should require an additional step of getting access to the encryption key for each user's data. By separating access to keys from access to data, you can enforce the use of strong identification, apply entitlement rules, and maintain a strong audit trail.

3

The last step is to make sure there is monitoring and response. Evidence will be needed if there is ever a dispute, but it also helps enforce behaviour from administrators who know they are being watched. Having active monitoring ensures that breaches of security will be seen quickly, allowing a response that will minimise the impact. It's not enough to have surveillance, you need to have systems in place to detect improper activity, and automatically take steps to minimise their impact.

Securing your digital transformation is a huge challenge, but the keys to success are clear accountability, a focus on data privacy, rigorous controls around data access, and a proactive monitoring and response strategy.

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Partnering for Performance: The Value of the CIO–CFO Dynamic

Featuring the CFO of Latitude Financial Services, Adrienne Duarte

Successful digital transformation is achieved by successful collaboration. How do the CIO and CFO best partner to guide an organisation's digital journey?

In the era of digital transformation, successful working relationships amongst the C-suite are vital for business success and growth. High performance means having an aligned view of what needs to be done and how. The dynamic between the Chief Information Officer and Chief Financial Officer is of particular importance when it comes to driving innovation and performance.

Adrienne Duarte, CFO at Latitude Financial, understands implicitly the need for a strong relationship with the digital team. Latitude Financial services more than 2.4 million customers in Australia and New Zealand. The independent group's goal is to offer their customers financial management products focused on ease of use, flexibility and choice. Digital transformation and the CIO are integral in creating this experience for customers.

"I think a good CIO asks 'What is it that you need to do to improve the customer experience? What can bring that to life?' A bad CIO just tells me, 'Here are all the widgets I want to invest in,' without any reference to customer or employee experience. At the end of the day, what we invest in should improve customer service and customer experience," asserts Duarte in an interview with Smart CIO.

Understanding each other's roles

Latitude's long-term objectives include both attracting new

customers while always improving the experience for their current customers. It's a balancing act and one which requires alignment between the CFO and CIO. For Duarte, something as simple as spending time with her CIO strengthens their partnership.

"Our CIO Andrew Walduck and I spend quite a lot of time together and that's important for us. To me, the digitisation of any financial services company is critical to meeting the future needs of customers. So if the CFO isn't aligned to the digitisation agenda and aligned with what the CIO wants to do, then I think that means we won't achieve our long-term objectives," she said.

But the relationship is a two-way street. From a CIO perspective, understanding the overarching role of the CFO is critical. According to Duarte, the role of the CFO covers four key areas.

1. Stewardship: Getting the numbers right and the financial guardianship of the Group.
2. Operations: Ensuring finance is a role model to the rest of the organisation by running an efficient and effective finance function.
3. Strategy: Getting the investment agenda and financial cadence of the organisation to ensure the foundations are in place to support strategic execution.
4. Being a Catalyst: Ensuring finance is focused on identifying areas of opportunities to drive better strategic and financial outcomes. Clearly, digitising and investing in customer experience is one of those areas.

She's been called a "financial management wizard" by colleagues. Adrienne Duarte came to her role as CFO of Latitude Financial Services with a wealth of experience, having worked for two of the "big four" accounting firms and with 12 years at National Australia Bank.

The CFO-CIO relationship drives Strategy and Catalyst. Duarte believes as digital transformation and data have become more integral to business growth this relationship has become more critical.

“If you had asked me five years ago, I would have said the critical relationship in financial services is between the CFO and CRO, the Chief Risk Officer. But as you move forward with the digitisation and everything becomes a digital asset, I think the relationship between the CFO and the CIO becomes critical, especially in terms of long-term sustainability of the business model. If I were to recalibrate the relationships, the CRO-CFO relationship is essential for Stewardship and Operational effectiveness,” she said.

Digital at the forefront

The reason for this is the increasing emphasis on digital. The role of IT is no longer in the background; many decisions made by the department affect customers directly. In the financial services sector, the separation between mainframe assets and digital assets has largely disappeared. This has changed how the CIO operates and interacts with the CFO.

“As the CFO, I’m the chair of the investment committee. If I don’t understand how the digital and tech investment requirements support customer initiatives and the strategy of the organisation, then I’m not going to prioritise that investment. I think what

then becomes important for the CIO is the ability to explain how their proposed investments support and accelerate the organisation’s long-term and customer related goals,” said Duarte.

Understanding not explanation

For the CIO, this means turning the explanation of new technology and its benefits into an art form. This includes understanding the mindset of your CFO, she says.

“Knowing where the CIO role is in the investment agenda and then bringing to life the tech solution in the context of how it adds to achieving long-term goals. The CIO needs to be bold – without being foolish – about what the benefits are while also understanding the cost of doing things. Otherwise, you’re going to have all these operational issues and not be able to invest in the next wave of things. You need to achieve this balance,” she said.

The relationship between the CIO and CFO needs to be symbiotic. It is one of trust. The CFO shouldn’t have to ask for a detailed business case highlighting the true commercial benefits of each digital project. To be agile in this day and age, the CFO and CIO need a collaborative partnership focused on the same goals. There needs to be an understanding before the CIO brings a new investment to the CFO’s table.

“The CIO needs to help the CFO understand the prioritisation. But if you have the right relationship, the CFO would already understand that,” said Duarte.

“If you had asked me five years ago, I would have said the critical relationship in financial services is between the CFO and the Chief Risk Officer. But as you move forward with the digitisation and everything becomes a digital asset, I think the relationship between the CFO and the CIO becomes critical...”



Q&A *with* Diana McKenzie

Former CIO of Workday

In 2015 Diana McKenzie was recognised as one of the “Top 50 Most Powerful Women in Technology” by the National Diversity Council. It was a fitting acknowledgment to Workday’s former CIO who has nearly 30 years of experience in different trade, tech and government organisations. She took time out to discuss her journey as a CIO, how the role has changed and role of IT in business.

Q: Tell us more about yourself and your journey to become a CIO.

A: Long before STEM became an area of focus for education, my parents encouraged my siblings and I to pursue degrees in the field of science, math or engineering. My first role as a newly minted Purdue graduate was as a scientific systems analyst at a pharmaceutical company. I was assigned to a team responsible for developing software to improve the process for capturing and reporting adverse events experienced by patients while taking our medicines. I loved knowing the work I was doing would make a difference for our patients.

Over the next 20 years, I took on additional assignments of increasing responsibility in IT, Corporate Strategy and Human Resources. I thrived when bringing people, business and technology together to solve an important problem or advance an innovative new idea.

From these experiences, I learned the value of developing and maintaining strong relationship networks, keeping abreast of changes in our industry and technology and building high performing teams. I find as a CIO, these experiences uniquely position me and my team to work across the business to leverage technology in ways that create positive experiences

and outcomes for our customers, partners and employees.

Q: What do you think is the role of IT in a true SaaS environment? How has the skillset changed?

A: The CIO should play a leading role in driving their organisation's digital agenda, much of which is based on a cloud or SaaS foundation. CIOs are ideally positioned because they are inherently the closest and most familiar with the new technologies that are driving this transformation. They are uniquely positioned to work across the entire organisation and partner with various business leaders to identify the greatest opportunities to deliver value and help tie the various SaaS initiatives and investments into a single, holistic digital strategy for the company.

Another area that is critical for the CIO is related to the changing skills and talents that their team must now possess in today's cloud and SaaS environments. Traditional IT environments were based on legacy technologies and solution delivery methodologies that resulted in less agile and more episodic value delivery to the business. With the explosion in cloud-based technologies that are fuelling mobility platforms and advancements in areas such as analytics and artificial intelligence, today's IT team requires an entirely new set of skills to deliver value at the pace required to maintain their

Diana McKenzie was CIO at Workday for over three years. In her career, Diana has been an active leader in various trade, technology, and government organisations, and was named "Most Influential Women in Bay Area Business" by the San Francisco Business Times in May 2017.

organisation's competitiveness. As a result, CIOs need to craft a vision and create an environment that enables them to seed their organisation with the right mix of external talent that possesses these skills while also investing to develop their existing internal talent base in order to build a team capable of delivering on the promise of these new technologies.

Q: The role of the CIO is becoming a blend of business and technology expertise and its reach and influence is now part of every element of the business, how do you see this impacting CIOs in Asia Pacific and Japan?

A: There is no doubt that this is a really exciting time for CIOs, no matter where you are in

the world. Given the continued convergence of technology and the business, CEOs, boards and other leaders are now asking CIOs to become enhanced strategic business partners to help lead their organisations forward and determine their overall digital strategy. And while some countries in Asia Pacific and Japan may be further along this path than others, it's clear that CIOs across the region now have the opportunity to focus more on driving business growth, the customer experience, and employee engagement.

Q: Why should CIOs consider Workday?

A: As leaders of digital strategy, CIOs are faced with the challenge of balancing investment in modernising core business functions as well as identifying innovative ways to leverage technology to advance their firm's products and services to drive growth. When the company's core functions are working well, CIOs and their teams can focus more of their time and resources on product and customer focused

strategy and investments to deliver a competitive advantage.

Workday offers CIOs the ability to do just that. Born in the cloud and designed as a unified platform that places people at the centre of software, Workday's platform is fuelling the business of thousands of organisations, from mid-sized to Fortune 50 enterprises. Ranked as a Gartner Magic Quadrant leader in Finance and HCM, Workday has consistently achieved a year over year industry-leading 98% customer satisfaction rating.

CIOs Who've Chosen Workday Benefit from:

Offering employees an intuitive experience across mobile, tablet, and desktop to ensure widespread adoption. Employees can access the insight they need, when they need it.

Saying goodbye to costly and time consuming upgrades to deliver increased ease and agility to respond to business change whether that be complying with new regulations, shifting the workforce, or opening a new location.

A differentiated technology architecture that enables both secure and truly actionable access to data and insights in a way traditional software vendors can't.



Disruptors in the Digital Age and How to be One

By Vishy Narayanan, Partner Chief Digital Officer at PwC Australia

What does it take to be a disruptor? Over the last three decades, there has been a surge in the number of smaller and nimbler organisations that have successfully unseated larger more established organisations (including government backed institutions) to offer alternative solutions, features, products, commercial models or entire value chains.

We have all heard the names, but worth repeating (in no particular order) are companies like Microsoft, Google, Facebook, Uber, Airbnb, Alibaba, Amazon, Netflix, Spotify, Tesla, Mahindra, Apple, Xiaomi, IBM, Freelancer, Atlassian, Illumina, Salesforce, Philips, Cochlear, Bristol-Myers Squibb (and the list goes on). All are considered disruptors in their own right because they:

- Offer **new innovative solutions** to **solve existing unmet needs or problems** that have traditionally been considered in the “too hard to solve” or “not worth solving” bucket. For example, Cochlear (Nucleus Group) developed and commercialised the world’s first multi-channel cochlear implant and in the process restored hearing to over 400,000 people. Bristol-Myers Squibb developed a drug to combat skin and lung cancer.
- Offer a **different, more compelling and/or commercially attractive alternative** to an **existing solution**. Xiaomi is beating Apple at its own game by offering technically comparable products at a lower price point and is also well positioned to sell services directly to their customers or to Salesforce, beating Oracle in the CRM game.
- Offer **new solutions** by **creating the need** (or better articulating the need) and **providing engaging and addictive solutions** to attract a **whole new**



Change leads to opportunities

market. Google, Facebook, Uber and Spotify have all created completely new markets by offering solutions to meet the need for real-time mobile access to information or services, 24/7 connectivity with a social network and cost-effective solutions.

While all three categories above lead to disruption, the last two in particular have been happening more quickly and recently (over the last decade) and are typically attributed to digital disruption. So then who can lay claim to be a digital disruptor? And is digital disruption a myth or reality?

To help understand this let’s start with an attempt at a definition. For me, **digital disruption offers a fundamentally better alternative to the present approach for solving a customer problem;** in a

cheaper, quicker, more convenient and more efficient manner; with technology and data playing key enabling roles to encourage customer participation.

It is not evolutionary change, but radical in the way it changes businesses, markets and societies.

All industries are prone to digital disruption – what differs is the timescale and impact. Some industries, such as music, entertainment and travel, have been impacted overnight.

Others change over a longer period of time, such as transport and healthcare. So if you’re looking to add ‘disruptor’ to your job skills, here are some of the key steps that you may want to consider before proceeding much further.

Vishy Narayanan has spent time at blue chip professional services practices as well as nimble start-ups. It prepared him to become the digital transformation executive he is today, bringing an innovative culture and digital mindset to both PwC Australia and their customers.

How do we leverage digital disruption?

By recognising, managing, mastering and exploiting nine key factors at play:

The following questions are designed to help you better understand your environment in order to be a positive disruptor, and manage the risks and issues it invariably creates.

Let's start with the external factors:

1. Your stakeholders and/or customers – do you know who they are and are they happy with their current relationship with you, what relationship do they aspire with you, do you/they value that relationship, are you aware of their critical needs, do you give them opportunities to voice their opinions, do you act/respond based on their opinion?

2. Your offering – is it meeting the critical needs of your stakeholders and customers, is it obvious why your offering makes sense, is it superior to other offerings, is it important/good enough to generate loyalty and advocacy, are the benefits visible and shareable, does it evolve with the customer needs?

3. Business and commercial model – how many intermediaries exist between you and the stakeholder/customer, who creates the most value, who are the primary beneficiaries in this business model, are there commercial incentives for all the players, is the commercial model sustainable?

4. Market players & competitors – who are the main market players, who are the key competitors, how differentiated are their offerings to yours, who are the likely disruptors?

Now let's investigate the internal factors:

5. Clearly articulated sense of purpose (sometimes referred to as vision) – is the statement of purpose clear, what can you do to contribute to this, is there universal buy-in on this sense of purpose, does it pass the reality test, is there a clear mandate for change?

6. Culture of innovation and experimentation – is innovation seen as a niche role, how easy is it to experiment on yourselves/stakeholders/customers, do the people, processes & systems support innovation, speed and experimentation, how far can you take an idea before it gets stopped/scrutinised, how high is the risk appetite to disrupt yourselves?

7. Collaboration with partners and experts – is it easy to collaborate, are there incentives for collaboration, do you have well identified customer champions, do the people, processes & systems support collaboration, do you have access to experts from similar/different industries?

8. Resources and experience – do you recruit from outside your industry, do you have a good mix of digital natives and “status quo” folks, is digital seen as a new and exciting capability or as an integral part of your business, is it hard to get funding, resources, or sponsorship for new initiatives?

9. Platform and data – have you created a platform for your offerings, is it easy to use, can

you plug-in services from other providers, do you have an active plan to manage the data and derive insights from it?

Once you answer these questions you are on your way to joining the ranks of a digital disruptor transforming the marketplace. The often used mantra in the modern business lexicon is “Change is the only constant.” Digital disruption is no exception as it drives and demands significant changes to fundamental assumptions, the status quo, customer expectations, competition, technology, organisational design, complacency and the value chain. In doing so, it creates a new set of **risks** such as:

- the potential to disrupt yourself;
- competition from smaller and more agile players;
- whole new level of scrutiny around privacy, security and legal issues;
- the ability to manage and protect Intellectual Property; and
- creating inertia driven by uncertainty.

But if you can overcome them the **opportunities** are significant:

- opening up new models for value creation;
- reduce the cost/time for success (or failure);
- building direct relationship with customers (and build loyalty);

- being able to compete in a global economy regardless of location; and
- attracting and motivating a high calibre team.

In summary, digital disruption is real. A disruptor is no doubt emerging near you and your industry and will result in significant changes to how you interact with your customers and stakeholders.

How can you be a disruptor?

- Know and build a meaningful relationship with your customer;
- Accept the blurred lines between product and service;
- Adopt an ecosystem approach to delivering products and services;
- Take a long-term view of success with short-term milestones;
- Be willing to make mistakes and change course;
- Be prepared to partner and make clear and timely decisions;
- Build an agile, multi-disciplinary team capable of moving fast;
- Use data to deliver insights and inform decisions but don't be a “data-slave”;
- Stay authentic and relevant in an increasingly connected and fragmented world.

The next question is whether or not businesses of today will choose to adapt to this new world or **die a slow death by a thousand digital cuts.**



Leadership Concepts For Successful Digital Innovation In The Public Sector

By Dr Steve Hodgkinson, CIO, Victorian Department of Health & Human Services

An address given to the Trans-Tasman Business Circle in Melbourne. It expands on the theme of an address given to the Circle a year ago.

Most policy or service delivery reform programs are now reliant on the successful delivery of digital innovation. Creating the conditions for delivery success is a key responsibility of all executives ... but many still regard ICT projects as risky. Steve will reflect on the mindsets and skills

necessary to enable public sector executives to provide effective and confident leadership of digital innovation. He will discuss case studies of successful projects in his department and provide insights into how to set up a multi-year programme of ICT projects that will minimise risk and deliver results.

What is 'digital innovation'?

From my perspective innovation is simply 'doing useful things better'.

"Doing" – it's about execution ... not just ideas and process.

"Useful things" – it requires a focus on important, impactful, activities.

"Better" – it creates demonstrably and sustainably improved outcomes.

... using digital technologies (or 'ICT' as we used to call it).

For many (most?) organisations the pace of innovation is now largely determined by the organisation's ability to execute digital projects – small and large, front and back of house.

The secret sauce of innovation is the productivity of our digital/ ICT project delivery processes. One way or another, we simply need more projects successfully delivered for a given time period and funding envelope. This is the journey that we are on in DHHS.

I'd like to share with you today my thoughts on seven leadership enablers of digital innovation that every executive should embrace:

Leadership enablers of digital innovation

1. Stop stupid digital stuff
2. Create a multi-year ICT budget and project portfolio
3. Enable flexible budget allocation
4. Encourage agile mindsets
5. Use strategic platforms
6. Empower your teams to use their

- common sense to 'find the sweet spot'
- 7. Value, and accelerate, compounding organisational learning.

1. Stop stupid digital stuff

Hmmm ... this language is a little strong ... but Barack Obama used "don't do stupid sh**" as a way to describe Foreign Policy ... so "don't do stupid digital stuff" is a rather polite phrase.

What do I mean?

Don't repeat approaches to ICT projects that have repeatedly failed ... time and time again ... when I say 'failed' I mean:

- did not produce a functioning system
- produced a system that was not fit for purpose

- took far too long
- cost far too much
- created operational risks – such as cybersecurity and business continuity
- created a system that was not operationally and financially sustainable.

Generally, stupid digital stuff is:

- Flying solo on your first flight – tackling an ICT project without deep-repeat experience and well developed skills.
- Big bang, mad science experiments – assembling a team of people that have never worked together before and just "giving it a go to see what happens."
- Procurement overriding common sense – requiring every system to have a dedicated procurement process and allowing vendors to



Leave the stupid stuff behind

- make key technology decisions.
- Riding a waterfall over a cliff – applying simplistic, mechanistic, linear thinking to complex, dynamic, problems and just hoping it will work out if you keep going long enough.
- Creating instant, unsecure, legacy – creating and buying technology solutions that don't pass the "Puppies are for life not just for Christmas" rule.

Unfortunately much of this stupid digital stuff is accepted as the 'normal' way to go about ICT projects in government ... as testified in numerous audit reports ... and also as evidenced by low executive confidence in ICT projects.

Acknowledging the existence of stupid digital stuff and choosing not to do it is actually quite liberating and is the first enabler of successful digital innovation.

So, first enabler: stop making things worse.

2. Create a multi-year ICT budget and project portfolio

One of the drivers of 'Big Bang' procurement + waterfall approaches is a budget and planning process that is engineered to deliver this outcome. Securing funding for a project is a 'one shot' binary thing. If you only get one shot at the money you need to go in with a fulsome ask.

This needs to be fixed.

In DHHS we have established a multi-year annual ICT planning and budgeting process that enables the creation of an evolving ICT project portfolio. How does this work?

The department has made a recurring budget commitment for ICT projects. This creates a pool of funding that can be relied upon, and planned for, over multiple years. In addition to this is a range of sources of one-off funding from the State budget (usually tied to specific projects) and from divisional operating budgets (usually tied to specific lines-of-business).

An annual ICT planning process identifies ICT project investments from across the department – justified by a range of drivers: legislative change, government

policy, service delivery reform, audit recommendations, risk assessments and productivity improvement etc.

Magic happens and the planning process creates a portfolio of projects for the next financial year. Next year's portfolio comprises over 100 projects.

3. Enable flexible budget allocation

Our investment portfolio approach has enabled us (as a general rule) to move away from fixed-scope, fixed-budget, fixed-timeframe multi-year projects in favour of being more flexible about how best to allocate funding to projects in the portfolio over multiple years. This is partially a consequence of trying to deliver smaller projects to a faster cadence



Plan not just for this year, but years ahead

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(i.e. less than a year) but also a consequence of a more iterative agile approach to projects.

Rather than committing the full estimated cost of a project over a number of years up-front (an estimate that is almost certain to be wrong) we allocate funding for a phase of development and then reassess funding requirements the following year.

Funding allocations in the portfolio are reprioritised annually and at mid-year review based on changing business drivers and project progress – i.e. based on the best possible information.

Don't get me wrong, Steering Committees and project managers are still accountable for delivery to agreed budgets to create financial

accountability once decisions are made about what to do ... but we have created a process which enables a more adaptive approach at both the project and investment portfolio levels.

4. Encourage agile mindsets

What do I mean by a more agile mindset? The key idea is to acknowledge complexity. My department is beset by highly complex and dynamic situations and problems at every turn. It is naïve to apply a linear, mechanistic, mindset to complex problems because this linear thinking assumes cause-effect relationships that don't necessarily exist.

An agile mindset accepts that you may not get things right 'in one go.' It may be necessary to take an

iterative approach, adapting based on feedback. I'm a fan of David Snowden's **Cynefin** framework (HBR 2007). This framework teaches us that complex problems have non-obvious cause-effect relationships between loosely-coupled variables. The solution is not necessarily obvious up-front, and is instead revealed by a series of interventions to probe, sense and respond so that the solution emerges.

A quote from David Snowden illustrates this point: "Managing the present to actually create a new direction of travel is more important than creating false expectations about how things could be in the future."

An agile mindset leads us to understand that the most important thing is to deliver the first iteration of a digital solution as quickly as possible and then iterate it based on feedback from real users.

Speed is safety. If projects are delivered more quickly, in smaller increments, then there is less chance for them to miss the target, fail to meet changing business needs or be overtaken by events. Benefits are revealed during the iterative process, rather than 'realised' at the end.

5. Use strategic platforms

The root cause of stupid digital stuff is treating each project as an experiment. Each project is a unique combination of reactants – people, processes, vendors,



A good platform carries the team

6. Empower your teams to use their common sense to ‘find the sweet spot’

I call starting with a platform and an agile mindset ‘Platform+Agile’. This means that the project can rapidly proceed through a series of iterations to ‘sweet spot the scope’ – finding the common sense balance between two key questions:

- “What do we need?”
- “What can be done?”

This is made possible by the ability to rapidly design, build and demonstrate a minimum visible product (MVP) using the platform. The MVP is then refined by user feedback. A minimum visible product always trumps talk, arm waving, documents and Powerpoint slides because it is a tangible demonstration of the first release of the new production system. Seeing truly is believing. ***A mind once expanded by an MVP never shrinks back to its original dimensions!***

The sweet spot is the common sense solution discovered by a team of people that (a) know the business need and (b) know how to get practical and effective digital stuff done.

7. Value, and accelerate, compounding organisational learning

The most valuable effect of all of this activity is to accelerate something that I call Compounding Organisational Learning.

technologies and procurement arrangements etc. Bang! Surprise! Stop doing experiments and start doing projects in repeatable, proven ways using trusted and robust technology platforms.

The contemporary ICT landscape is now dominated by cloud services platforms which are provided at global scale as services. This has caused a fundamental shift from ‘owning’ dedicated applications to ‘consuming’ shared platforms. The leading cloud services platforms are continually improving their functionality, security, trustworthiness and affordability (when all things are considered).

Platforms enable more agile approaches to projects because most of the required functionality already exists. A new business

system is created by configuring a platform which is already operationally proven, trusted and sustainable – rather than procuring and customising new (relatively unknown) applications.

A huge advantage of platforms is that they stay current. The shared platform model and the pooled investment enabled by large global customer bases means that the platforms are continuously modernised. We just ‘go along for the ride.’

A platform-centric approach also enables in-house ICT teams to develop deep-repeat expertise in the platforms and build reusable micro services. This avoids unnecessary and risky application-by-application procurement and wasted effort.

We all recall learning in primary school that it is better to deposit \$1 a month than \$12 a year – because of compounding interest. Using this metaphor, the liner waterfall approach to ICT projects is like depositing \$36 at the end of 3 years ... and getting nothing in return until the very end of the project. The problem with this is that it has taken 3 years to go through one cycle of organisational learning.

The approach enables iterative organisational learning in shorter cycles of (ideally) 3-6 months. After the first iteration of the new system everything has changed.

- A new system is delivered – building confidence in ICT project delivery

- New data is created – enabling analysis and reporting
- New insights are possible – into what works and what doesn't
- Benefits are revealed – enabling fact-based decisions on further investment
- Improvements are identified – opportunities to enhance the solution are clear.

Organisational learning compounds like interest in a bank account. Over time this leads to a natural incremental alignment of 'business needs' and 'ICT possibilities' much more effectively than more mechanistic liner approaches. The result is reduced project risk and increased executive confidence in project delivery.

Does it really work?

My team has delivered over 30 projects over the past few years that illustrate the benefits of this approach.

All of these projects were successfully delivered in an agile and iterative manner and have 'changed the world' in small but significant ways by illustrating the art of the possible ... and by fuelling the compounding organisational learning effect within this department and the other departments and agencies involved. Many more projects are in-flight.

In Summary

- Stop stupid digital stuff – open your eyes!
- Create a multi-year ICT budget and project portfolio – to authorise a program of work
- Enable flexible budget allocation – to streamline project funding decisions
- Encourage agile mindsets – start small and iterate
- Use strategic platforms – leverage proven technology to start fast and scale
- Empower your teams to use their common sense to 'find the sweet spot' – be practical
- Accelerate compounding organisational learning – learning is good!
- How to get started? Just get started. **Start-egy!** Make compounding organisational learning your friend.