

**IPPA SPEAKING NOTES**  
**THE CHALLENGE OF CHANGE**  
**ANN SHERRY AO**  
**EXECUTIVE CHAIRMAN CARNIVAL AUSTRALIA**

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**INTRODUCTION**

Thank you for the invitation to speak to you tonight. I want to talk tonight about the challenges of change.

Specifically about the incredible change taking place in the public sector in the realm of public/private partnerships but also to use the example of my industry and business, which delivered double digit for 10 years including throughout the Global Financial Crisis.

Progress has certainly been made down that path but more could be done in an area where the opportunities for effective partnerships are boundless.

Tonight I want to look at four key areas.

- The changing role of the public sector.
- Risk aversion and risk management -- the difference.
- The power of communication.
- People and the challenges of change.

I speak to you tonight as the leader of an industry that has become the most successful sector of Australian tourism.

I'm Executive Chairman of Carnival Australia which, with its seven iconic cruise brands, is 75% of the local industry.

Our industry has grown from 187,000 cruise passengers in 2005 to more than one million last year and 1.3 to 1.4 million this year.

The economic benefits of cruising are immense.

In a typical year, our home brand P&O Cruises alone buys for our five ship fleet:

- 510,000 kilograms of beef
- 4.7 million kilograms of fruit and vegetables
- 900,000 kilograms of poultry, and
- 595,000 kilograms of seafood

Much of it comes from New South Wales suppliers not to mention the fine wines we source from Hunter Valley vineyards.

The cruise industry has recorded 10 consecutive years of double digit growth to become one of the world's fastest growing markets.

In 2015-16, the industry contributed \$4.6 billion to the Australian economy - 27% more than in 2014-15 – with \$2.9 billion of it in NSW.

Cruising accounts for 19,000 direct and indirect jobs. Regional ports have joined capital cities in sharing the benefits.

How did this happen? We embraced change and continue to energetically follow a change agenda.

We remade our business mode and our product and continue to innovate to meet changing customer and community expectations.

It has made for an exciting ride and I am delighted to be part of it.

My overarching view is that if you have the power to implement change there is an obligation to use it.

Never squander an opportunity.

First the **changing role of the public sector**.

There was a time, and it's really not all that long ago, when governments did just about everything.

Or they saw themselves as regulating everyone and everything.

The contemporary public sector can and should be worlds away from that old fashioned model.

Drive over the Western Distributor towards Anzac Bridge and you'll see evidence of that bygone era.

Just to the left on the Ultimo side of Darling Harbour is a building that was once the NSW Government Printing Office.

A long forgotten colonial governor established the Office in 1840 because he wasn't happy with the service he was getting from private printers. Don't take that as a bad omen.

No wonder it has taken 175 years for public/private partnerships to get off the ground.

Up until 1989, the Government Printing Office printed everything from electoral rolls to bus, train and Lotto tickets.

It was a public sector fiefdom with vice regal trappings.

The Government Printer -- one Victor Charles Nathaniel Blight -- was chauffeured to work each day in a Rolls Royce.

Good for some. His luxury limousine didn't have number plates. It had Royal crests. Mr Blight made quite an entrance on Harris Street.

Time, technology, inefficiency and cost eventually caught up with the Government Printing Office.

A government entity that was incestuously both supplier and its only customer plus, in the absence of competition, a hotbed for industrial turmoil, was never going to survive.

The doors shut on the Government Printing Office in 1989 -- a classic privatisation of the economic rationalism of the 80s.

Privatisation of government entities was controversial but they also shone a light in dark corners.

Suddenly the notion of the public and private sectors partnering in the interests of efficiency was on the radar.

It has stayed because public/private partnerships are a way of getting things done without the inefficiencies of big government working in spaces where they don't have core capability.

Governments no longer do just about everything. They haven't got the money and the taxpayer can't afford it. To a greater extent they stick to their knitting.

If there's a criticism it's that the public sector has a limited view of the scope for public/private partnerships.

In essence, the public sector has changed but I am not sure the public sector is clear about what it has changed to, and nor is the Government.

They are hanging onto the forms of the past instead of looking to the future working out what the public sector should be.

Some think public/ private partnerships are confined to big road projects, tunnels and rail links. It's much more than that.

Others still see their primary function as being regulators keeping the private sector on the straight and narrow.

They struggle with the concept of the public and private sectors working in partnership for the benefit of a shared constituency.

Our own public partner the NSW Port Authority sometimes struggles with this.

We sometimes need to remind them that we are their number one client and should be treated as such.

The opportunities for public/private partnerships are very wide and there for the asking.

Beyond the big infrastructure projects it's difficult to name examples of effective public/private partnerships.

Social and affordable housing seems to be one government policy area where the private sector is being embraced.

Public housing and affordable housing construction seems to be one area where positive things are happening.

But, of course, there is such a chronic failing in public housing provision, access and quality that the sector is ripe for change.

The government owned Land and Housing Corporation partnered with the private sector to address challenges in social housing.

The Corporation has actively:

- Involved private and non-government sectors in financing, owning and managing social and affordable housing.
- Expanded support in the private rental market with the aim of reducing demand on social housing.
- Encouraged more competition and diversity in the provision of social housing management services.

In short, the Corporation has embraced change and adopted innovative solutions in a way that allows private sector participation.

### **Risk Aversion vs Risk Management**

When I was in banking I thought risk management was making sure the ATM network didn't crash.

Now we send ships to sea with 3000 passengers and crew and risk management is essential. It involves more than planning.

My question for you in the public sector -- are you risk averse or risk managing? There is a significant difference.

Being risk averse can mean managing your Minister so he or she never puts a foot wrong.

To never make a mistake means never making a decision. That is a sure recipe for inaction.

If you are risk managing you can also be moving forward dealing with issues that are relevant to you every day.

Risk management is not about doing nothing. It is in fact about doing something but reducing the risk of problems happening.

Cruising is all about managing risk. We've done that while growing the sector as the most successful part of tourism.

We set a target of a million Australians a year cruising by 2020 and achieved it six years early.

Instead of one million passengers a year, we are now on track for two million passengers a year by 2020.

It's not a pleasant subject, but every now and then outbreaks of Norovirus happen on cruise ships.

It's a common enough illness in the general community, second only to the common cold in fact.

But when it happens on a cruise ship this common stomach flu bug attracts critical and reputation damaging media coverage.

So we manage the risk with preventative measures that makes it far less likely to get Norovirus on a ship than on shore.

We've gone even further than that in managing the risk.

We eliminated buffets on our P&O ships to further reduce the risk of illness on board.

Risk aversion as opposed to sensible risk management is still a characteristic of the public sector.

It remains a key change management issue.

The overall message is that when things are changing you can't avoid risk, you have got to manage it.

## **Power of Communication**

In a changing environment there is no such thing as too much communication. Effective communication is essential.

It starts with communicating bold targets -- that way teams know where they're headed and how to get there.

We did it when we set the target of a million passengers a year. It was an extraordinary target at the time doubted by many.

But not by an incredible team at Carnival Australia who were itching to achieve something very big.

Know where you want to go and the best course to get there. Set clear goals and don't be afraid of audacious targets.

Ambitious goals galvanise people into action. They bring out the best in top achievers to bring off the seemingly impossible.

How are these big goals achieved? Challenge your people to think differently and always be ready to communicate.

We do quarterly engagement surveys at Carnival Australia -- I always look for the communication score.

If we are scoring well on communication we are already half-way to achieving our business strategies.

A positive score means our people understand where the business is going and their part in getting there.

It's also an indication that managers are doing their jobs to ensure their teams understand business objectives.



When I talk of communication I speak of it in all of its forms.

In addition to everything else in the world there has been revolutionary change in the way we communicate.

If something happens on one of our ships you can be certain it will be on social media as it is happening.

We've embraced social media as part of our communications tool kit. We are on Facebook and Twitter.

It's an amazing way of communicating directly to our own passenger community and the wider community with a great sense of immediacy.

It's an important adjunct to our formal communication via telephone and emails.

You'll remember a few years ago Qantas grounded its entire fleet during an industrial dispute. We heard about it first on Twitter.

We had ships returning to Australian ports with many passengers on cancelled flights home.

Thousands of others were booked on cancelled flights to join ships for their cruise holidays.

The early warning on Twitter meant we could mobilise our customer service team on a weekend.

All of our returning passengers and those joining ships for their cruise were given alternative bookings. Thank you Virgin.

When massive earthquakes devastated Japan warnings of major tsunamis were issued in the Pacific.

Families back home were naturally worried about family members on our cruise ships.

We used our Facebook page to reassure them that all was well.

You'll also remember the Swine Flu outbreak of 2008 and the worldwide media hysteria that accompanied it.

We were not immune in Australia from H1N1 -- swine flu -- or the hype. One of our ships was caught up in the middle of it.

We used everything in the tool kit in response including mainstream methods to social media posts and YouTube.

It's what you have to do now to be heard. When things happen you can't afford to be declared missing in action.

Running with the media revolution and making the most of it is just as important in day-to-day communication in house.

We employ all the modern communication forms to be innovative, agile and interesting in reaching out to our teams.

## **People and the Challenges of Change**

People challenges are very much part of operating in a changing world.

I always say that it is important to surround yourself with good people. Accept that you don't know it all and can't do it all.

You can imagine the steep learning curve I encountered on joining Carnival Australia in 2007.

Cruising's reputation was at a low point following the tragic death of Mrs Dianne Brimble in 2002 and subsequent inquest.

The public expected nothing less than a complete transformation of the cruise industry and the product.

We have done that. I found that you soon find the people in a business whom you can rely on.

We had a solid core at Carnival Australia who were keen to be part of what was then revolutionary -- not evolutionary -- change.

I depended on good people in the business with vast knowledge and experience happy to share it with a new CEO.

If you want to drive change, finding and trusting the best people in any organisation is essential.

Some might already be there but others you will need to recruit and there could be still others who might need to be moved on.

Not everyone is going to be willing to travel the path to change.

You have the opportunity when you are recruiting to hire new skills and new ways of doing things.

It's also important to be aware of organisational structure.

If you are too hierarchical with too many layers -- a risk in the public sector -- the result is slow or ineffective decision making.

It also stifles leadership and innovation. It becomes harder for people to contribute when the world is changing.

Change requires agility. Community expectations change. Organisations must be able to respond.

They also need to be able to generate a sense of excitement among their own teams and the wider community.

And of course technology is driving change in all of our organisations ... but that's a whole other topic.

## **Conclusion**

So to bring it all together -- change is an opportunity.

If you're a builder of organisations from the inside out, change is your best friend.

You'll have an unparalleled opportunity to be an agent for change who makes things happen.

The time has never been better for agents of change. Remember the NSW Government Printing Office.

It might have been bigger -- and printing more bus tickets and parking ticket forms -- but had hardly changed in form or structure in 175 years.

Embrace change -- it is the great adventure and so right for the times when the world is changing under our feet all the time.

It means managing risk not shunning it all together in order to never make a mistake.

It means surrounding yourself with the best people with a shared commitment to making change happen.

Above all, see change for what it is -- a great opportunity to set your organisations up for a bright future.

If you are in a position to lead change don't walk away from the opportunity.

The world around us is changing. Community expectations are changing. Technology is opening up communication forms and information that were previously inaccessible.

So change is not an option. It's inevitable. Let's embrace it.

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