

Secretary's Address  
APSC Leader to Leader Series  
28 February 2012

**'Investing in the Future: Nurturing Greater Diversity in Treasury's  
Leadership'**

Thank you for your invitation to speak today. It's a pleasure to be here as part of the Leader to Leader Series.

The topic of today's presentation – investing in the future – has a relevance beyond Treasury and even beyond the APS. It reflects a strongly held view that the circumstances we found ourselves in over the last two decades will not, and cannot, endure in the decades ahead.

**A changing environment**

As I have said elsewhere<sup>1</sup>, over the next five to ten years we are likely to experience macroeconomic volatility of a sort not seen in the period since the floating of the Australian dollar. The root causes of that volatility are to be found in the international environment.

But while the sources may be international in origin, the consequences will be felt domestically. Moreover, much of this volatility is likely to emanate from what has traditionally been thought a relatively stable part of the global economy – the North Atlantic.

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<sup>1</sup> 'A Year in Retrospect, A Decade in Prospect': Address to the Sydney Institute, 13 December 2011.

Add to this the risks associated with the rapid-fire transformation of the emerging Indo-Pacific giants, India and China, and it could be an exciting time!

The rapid growth of China and India, and other large emerging economies like Brazil, South Africa, Indonesia and Vietnam, is also contributing to what is potentially the greatest transformative phenomenon of coming decades – the creation of a multi-polar world with greater geo-political weight for the emerging economies.

These factors overlay key domestic policy challenges, for example:

- the deterioration in Australia's productivity performance, with all the poignant implications that has for our future living standards;
- the impact of our ageing population – it's telling that we no longer talk about this as an abstract future phenomenon, but rather reflect the impacts in our forecasts;
- the complexity of policy challenges facing governments at all levels in areas like health and aged care, improving infrastructure, and the effective and efficient delivery of services to citizens;
- the sustainability of our cities, and tackling the diabolical challenge of climate change;
- a sense of dissatisfaction in the community, which seems incommensurate with what the figures say about our comparative economic and social performance and outlook – intriguingly, some Australians sound as though they live in Greece!
- a related sense of dissatisfaction with politics, combined with the impacts of technology on how citizens engage;

- the tight fiscal situation, which will affect the Commonwealth and States for a number of years hence; and
- the fragmentation of the media associated with the rise of narrowcasting, which some even call ‘egocasting’, where media consumers increasingly ingest only what reinforces their pre-existing views.

The result is a complex policy and delivery environment of a sort qualitatively quite different from what we’ve been used to, and likely to herald an enduring new order to which we, as policy advisers and program deliverers, will all have to adjust.

## **Two reviews**

On becoming Secretary to the Treasury, I thought it appropriate that we step back and ask ourselves how well equipped we were for this new environment.

I did this not because I believed Treasury had under-performed. To the contrary, I believe it is critical for even the best organisations to undertake a health check and evaluate their systems, skills and capabilities from time to time, as indeed Treasury has consistently done over its history.

It was for this reason that we embarked upon our Strategic Review and our Women in the Treasury project, which no doubt you’ve heard, or may even have read, about by now. I want to share with you some of the findings of these reviews and talk about what we are doing to address the recommendations. The reviews revealed positive signs that we are a high-performing organisation. However, they also revealed areas where we have significant work to do.

The Strategic Review was a wide-ranging examination of our organisational priorities, systems, and capabilities. We sought frank feedback from our stakeholders and reviewed our processes and policies rigorously.

Though there were overlaps with the Strategic Review, the Women in the Treasury project really required separate and concentrated attention. It might have fitted within the rubric of broader workforce planning, but it was sufficiently important to be treated separately.

Though at least half of our APS level employees are women, Treasury has a low proportion of women among our leadership group. This was something that we had thought would fix itself over time as new cohorts with more equal gender distributions progressed through to SES level. But in fact, the figures for the top bands have proved stubbornly unresponsive to changes lower down. We wanted to get to the bottom of the imbalance, in order to create a leadership pool that is deep and wide, that harnesses the talents and expertise of women and men; not only in the interests of equality, but because the research shows diversity in leadership is healthier for any organisation. We also wanted to ensure that Treasury is an employer of first choice for women and men, which our antennae were telling us was not always perceived to be the case.

I've been asked why we made the decision to publish our responses to the reviews. Given that they were open review processes, given how wide the consultations were, and given how much our external stakeholders contributed to the reviews, it would seem bizarre not to make our responses public. I also want to put on the record my pride in the maturity and readiness of Treasury staff to hold up a mirror to our organisation, and to engage in these sometimes sensitive and difficult conversations. Talking about the Reviews outside Treasury is also a signal, particularly in the case of the Women in the Treasury project, that we are committed to act in response to what the Reviews identified as challenges.

## **Where to next?**

So what did we find and what are we doing about it?

The purpose of the Strategic Review was to assess our capabilities in light of those external drivers I mentioned; to ask the question about whether our frameworks and skill sets needed augmenting.

From the rich discussion and thought that fed into the review, and the searching analysis it required of us, four themes emerged that will guide our efforts to equip Treasury for the challenges ahead.

They were:

1. Building key strengths to better support our ministers;
2. Enhancing our engagement skills;
3. Greater innovation and use of information technology tools; and
4. Allocating resources and managing priorities.

These themes acknowledge what our stakeholders were telling us we already do well, and show up areas of vulnerability where we need to do more work.

We have a number of teams and projects in the pipeline, from broad aspirations to fine detail, to begin to address these, and to set about embedding the behaviours and attitudes that will constitute cultural change.

To give you more background on the Women in the Treasury project, this was not a new issue for us in 2011 – but an issue we had been conscious of for at least fifteen years. As I said, we had thought that fresh cohorts with a more equal gender distribution would gradually alter the distribution in the more senior levels. But that wasn't happening. We had come up with some ad-hoc responses – encouraging part-time work, facilitating access to childcare, and so on. These had been effective in limited ways but the failure to see markedly

higher proportions of women in senior ranks suggested they had not fundamentally addressed the barriers to the recruitment, retention and progression of women.

A data paper commissioned by my predecessor Ken Henry told us that women were still only 23 per cent of our SES leadership group, compared with 37 per cent of SES in the wider APS, (compare both with 8 per cent of executives in ASX 200 companies). There were obviously barriers we couldn't easily identify impeding women's progress from the EL levels to the SES. The time had come for a systematic and structured approach to probing the imbalance.

We engaged an external consultant, Deborah May, to lead consultations with focus groups, key stakeholders, and Treasury alumni, and to deliver a report on Treasury's culture and what those barriers might be.

What the consultations revealed was that some aspects of our culture were the source of our strength, while other aspects of the same culture were presenting barriers to women's progress. In particular, there were some unrecognised biases at play that the consultations made apparent. These included some institutional biases toward a homogenous leadership style, biases toward conceptual and analytic skills over coordination and people skills, unconscious assumptions about the capacity and credibility of people with commitments outside of work, and some issues with the way our Performance Management System was being implemented. It's notable that these issues are not gender-specific, though they do tend to affect women disproportionately.

For many of us, the qualitative findings of the Women in the Treasury project were confronting and confounding, not least to the members of the Treasury Executive Board. While it might have been easier to let the dust settle on them, the Board has committed to acting on them. We have set a long-term target of

40 per cent women in the SES with a milestone of 35 per cent by 2016. Why set a target? For the Board it was to indicate to everyone that we are serious about long-term change, and would not settle for short-term tokenism. Importantly, though, these targets set a ‘light on the hill’ for us to work toward. And let me reiterate, these are targets, not a quota, as the merit principle is sacrosanct and central to the Treasury’s identity.

Our response is also not just about the representation of women in the SES. In achieving the vision of greater representation of women, we aim to build a more inclusive workplace, to create satisfying jobs and career pathways that staff value, at all levels and in all work areas.

We have set in motion the Progressing Women initiative, which is a suite of strategies that will be progressively implemented to elevate the representation of women in leadership at all levels in the Treasury.

The suite will comprise:

- **Leadership, governance and accountability.** I will be chairing a new committee, the Inclusive Workplace Committee (IWC), which will include all the members of the Executive Board, plus senior Treasury officers, and two external women members, one from the public and one from the private sector. I am pleased that Sue Vardon, the former head of Centrelink, and Rachel Cobb, Managing Director of Retailer Solutions at GE, have agreed to join the IWC. The IWC will guide and monitor the implementation of these strategies.
- **Workplace policies,** such as making part-time work an effective and career-enhancing choice for employees, as well as new approaches to job design, including job sharing and more considered decisions and discussions about work allocation.

- **Training and networks.** We will introduce training on ‘unrecognised bias’ for all staff, and as I’ve told staff, I will be the first to undertake this awareness training, along with my colleagues on the Board. The IWC will look at a Treasury mentor scheme for women and men, with a defined structure, remit and programs.
- **Performance assessment and career development.** We have already started what we’re calling a ‘refresh’ (not a revision) of our Performance Management System. Rather than changing the substance of what is a fine system, we are refreshing our understanding of how it should be applied.
- **Measuring success.** For an initiative like Progressing Women, success will be measured in a number of ways over time. But, being who we are, we have also set some quantitative measures in place. Just as the private sector has key performance indicators, we will have a target of 35 per cent female representation in the Treasury SES by 2016, with a longer-term goal of 40 per cent. As I said before, this is not a quota, but a sincere and realistic attempt to bring about long-term change in the culture and workforce of our organisation. We will also use other non-numeric measures to make sure those less quantifiable aspects of the initiative, like wellbeing and job satisfaction, are integral parts of this change.

We are not alone in this endeavour. I’m part of a group called Male Champions of Change, facilitated by Sex Discrimination Commissioner Elizabeth Broderick. The group includes the CEOs of major banks, firms and companies: ANZ, CBA, Qantas, Woolworths, Telstra, IBM, and many more, plus public sector colleagues including the APS Commissioner, Steve Sedgwick. There is wide recognition that any organisation that wants to succeed in the twenty-first century must take account of, and take advantage of, diversity.



## **Conclusion**

We know we need adaptability, flexibility and resilience to succeed in delivering what everyone expects of Treasury.

But what both the reviews are telling us – and by implication telling the wider APS – is that we also need diverse backgrounds, skills and perspectives to make us resilient and robust for the new operating environment. Building this diversity will make us more effective in our mission, and make the Treasury a better place for both women and men to work and flourish.

Taken together, the outcomes of these two reviews present a big organisational challenge, but one worth meeting. They represent an investment in our organisation's future, and in the future world in which we'll work. A world in which work itself will evolve in tandem with shifts in technology, in global economic gravity, in social restructuring, and climate change. And a domestic environment where citizens will engage with government in new ways, and public service agencies will do more with less.

In the times ahead the only constant will be change. Treasury has at least embarked on a journey to become the resilient, robust, and diverse organisation we will undoubtedly need to be.

Thank you.