

CEDA keynote 28 January 2021

Intro and scene set

Thank you Diane and thank you CEDA for the opportunity to be with you today.

I hope everyone had the chance to have a relaxing and recuperative break over the holiday season.

Like me, I am sure many of you used the time to reflect on what the last 12 months has meant and to think about what the future might hold.

I know many of us saw the Christmas break as the finishing line for 2020 and a chance to put the year behind us in the hope that in 2021 things would be easier, or at least a little clearer.

Unfortunately, the reality is there is every chance 2021 will be even more uncertain than 2020!

The facts are, we still don't know how this pandemic will evolve, what difference the vaccine will make and when, when we will be able to travel again and to where or when we will be able to get back into the office consistently.

On a personal level and on so many fronts, I have never felt less clear about which direction our world will take. And I know I am not alone.

Because of this uncertainty, there seems to be a strong desire for things to return to normal. As humans we like structure in our lives, we crave routine. It makes us feel safe. It's natural therefore to wish for the world around us to feel normal.

But this is the wrong thinking as it will never return to normal. How we work, how we travel and how we live generally will not look and feel the same as it did twelve months ago. It is therefore better to spend our energy in accepting the changes that need to come and embrace a new way of living and working.

As leaders we need to find ways to provide clarity and confidence amongst the noise of these uncertain times.

Most importantly, as leaders we need to see the opportunities in 2021 that stem from the disruption of 2020. We need to do things differently, to show up differently as companies and as a country.

I am an optimist by nature and never underestimate the ingenuity and creativity of humans to adapt.

There are many examples through history where bold decisions made in the wake of a crisis fundamentally changed trajectory.

Prior to the second world war Singapore was a tiny economy and The Philippines was the biggest economy in SE Asia.

What Singapore did after the war though was to plan longer-term and despite little land and no natural resources, but with bold thinking transformed itself into a major manufacturing and financial powerhouse and one of the world's most prosperous nations.

Here in Australia, we have seen many smaller examples particularly in hospitality which was devastated by the necessary restrictions in Victoria last year.

One of Melbourne's most well-known restaurant's was doing more than 1,000 covers on a Saturday night in the peak of the lock down with curfews in place through the rapid launch of a Providoor service. This was more than twice the number of covers than they could do pre COVID and at a higher average revenue per customer.

As in any crisis, the winners will be those that make the right decisions in these big moments of inflection and change. That is true for countries, that is true for political movements, that is true for companies...and it is true for individuals.

So let's not strive to return to normal. Let's do the exact opposite and use it as an opportunity to fundamentally change how we live and work. Let's not just accept a world with COVID, we can do better than that. Let's take control of the situation, use it to our advantage to enhance the quality of life for our people, our customers and our communities.

And that is what I want to talk about today. Our future ways of working and the technology that is needed to underpin it.

Ways of working

So how will we work in the future? I believe there are four elements to this.

Firstly, flexibility for our people.

Before Covid when we spoke about workplace flexibility we were primarily talking about where we work. However, increasingly flexibility will also become about all elements of work such as when we work and how we work.

Ultimately, we need to be less concerned about where our people are, their time-on-the-job and how they are doing their work. What matters is when and how are they most effective, what delivers the best outcome for our customers and for our businesses.

This means there is a much stronger need to better understand the human dynamic of our people - to build knowledge of their lifestyles and how they prefer to work and to build this into the experience we offer our employees. The same goes for our customers.

We also need to help our employees with the tools and resources to be adaptable to work within the context of changing restrictions and limitations. There is no point trying to second guess or forecast what restrictions will be in place and when they will change. I trust others better informed than me to make those decisions.

It's the paradox that defines our times. Our strategic decisions need to be based on the long term, but our decisions about how and where we work need to be made in the moment built around flexibility and adaptability.

The second element to our futures ways of working relates to agility and speed.

Even before Covid, digital disruption was forcing many organizations to manage change and make decisions more quickly than ever before. Covid intensified that with companies under pressure to make their business models fit changing requirements. That need for speed is only going to increase as the forces of digitization, globalization and automation continue to accelerate.

To respond to this at Telstra we have moved 11,000 people over the last 2 years to work in Agile teams. We had already done a lot of the hard yards pre COVID and we will be a fully Agile organisation by the end of this year.

Agile is one of those concepts where everybody nods knowingly when you mention it, but I am not sure that its' power is yet fully understood.

The simplest way of articulating Agile for me is that historically organisations were run and would organise work vertically through traditional functions – sales, marketing, operations, product development, systems and IT etc.

In Agile you completely turn the company on its side. You focus on what you need to deliver in the next three months. What products are we launching? What assets are we building? What new services are we delivering? And then you organise your resources, work, planning and accounting around that, not around the functions.

It forces you to regularly review, and where necessary change your priorities in response to market and customer dynamics. Importantly it also forces you to more directly align your resources behind your priorities. This is not something that happens easily in the old functional model where fiefdoms and silos can dominate particularly in large companies.

The third element of changing our ways of working is how to foster innovation and creativity in a virtual environment.

During Covid a lot of leaders de-prioritised innovation as they focussed on business continuity, productivity, and health and safety measures. On the other hand, there are many examples where the crisis has provoked innovation and creativity and show that businesses can adapt creatively when they need to.

It's the one area however, where it is harder to gauge what the impact of working from home has been but it's crucially important we re-establish and even increase our focus on innovation and creativity if we are to capitalise on this moment.

So how do we do that when we are working virtually? I hear a lot, that a virtual meeting cannot replace face to face. Maybe that's true, but not all virtual meetings are the same. The quality of the technology you are using, the functionality of the tools, the reliability of the connection, how well you manage the meeting to engage everyone all play a major role in the quality of the outcome.

And we have seen rapid innovation in collaboration tools over a very short period of time.

We need to support our people with access to the very best of these tools when and where they need them and arm them with the skills to get the most from them. This means we need to think about how we train, coach and mentor today's job market entrants in a much more virtual world.

We've proven over the last 12 months that we don't need to be working in the office together to innovate, let's build on that experience and challenge ourselves further.

The final element about our future ways of working I wanted to comment on is how we build more humanity into our culture.

Through working from home, COVID has provided a window into our personal lives. In many ways this has been positive. It has shown leaders in more vulnerable settings as they wrestle with many of the same challenges of working from home that everyone else does. It's been a great leveller and that helps build empathy and intimacy.

However, it has also been a profound challenge for many people and we have all been mentally affected to some degree.

As leaders, we need to deepen our understanding of the challenges of working from home – in situations like shared households and to consider workplace layouts that give our people a space to work which isn't their bedside table, as one of our people was found to be doing while his flatmate was using the kitchen bench.

As leaders, we need to understand the parenting and educating burden still often falls to women and support them with the flexibility they need to juggle their work and home lives.

We cannot afford to go backwards on female representation or gender pay. In fact, we should use this as an opportunity to make great leaps forward in diversity in the workforce.

What this means for talent

The bottom line is competition for talent is going to shift in the new era of remote and hybrid work because where an employee lives is no longer a limitation.

Our future ways of working are going to be instrumental in how successful we will be in this war for talent. The companies that get it right will attract and keep the best talent and talent is the single most important competitive differentiator in uncertain times.

For Telstra we're proud of the work we've done in setting ourselves up to capitalise on this moment. We embraced flexible working almost a decade ago and our Agile adoption is ahead of the curve.

As a major employer we are already moving to a 'location agnostic' approach for all office and contact centre-based roles, opening up the talent pool beyond the typical CBD with a hybrid of digital and physical tools and spaces tailored to specific roles, preferences and needs.

For example, we now have 80% of our contact centre consultants in Australia choosing to work from home on any given day – 100% are able to do so. And as I have previously announced we will have all Consumer and Small Business inbound customer calls answered in Australia within the next 18 months.

The power of connectivity

In fact one of the things that people were surprised by during the challenges of the last 12 months was how seamlessly many of us were all able to move to working from home - and how we were able to support that with the necessary bandwidth - and how quickly people adopted digital ways of working and living.

On a global scale, some estimates are that we vaulted 5 years in terms of digital adoption in a matter of a few months.

None of that happened by accident.

In Telstra's case it happened because in 2016 we knew we would see a further acceleration in technology and we took the decision to invest \$3b to build the networks of the future and completely rebuild our digital environment.

In 2018 we launched our T22 strategy to simplify and further digitise the business. Those investments have transformed Telstra. Our digital sales, which accounted for 6% of all sales in FY18, are on track to be 35% in FY21.

Where people used to queue outside stores when a new iPhone was launched, 50% of orders for the latest iPhone were through our online app. Service appointments tell the same story – 39% in FY18 and on track for 70% in FY21.

There are more changes we need to make – extending direct debit to solve a host of billing issues for customers. These changes might be challenging for some customers in the short term – so we are thinking carefully about how we can cushion any impacts.

Implications for CBD

New ways of working and technology driven change is only going to accelerate from here and that has broader implications.

Like me, you will have seen stories of houses in regional areas being snapped up – anecdotally that says there is a profound shift underway as people have come to understand they can work from anywhere.

That raises a whole raft of questions about infrastructure and important policy decisions for government.

Questions about our CBD's, and whether they will now become more about where people come to be entertained, watch sport, eat, drink and socialise, where organisations convene their people to collaborate.

Questions around some of the huge infrastructure or investment projects already in-flight or being approved at a time when many people are working from home on an ongoing basis or considering moving to the regions.

Questions about the regions themselves, where infrastructure spending is needed to support a shifting population – with transport, housing, education, hospitals as well as telecommunications.

Questions about the role of the different technologies that will enable all of this including IoT, AI, big data, the NBN and 5G.

In fact 5G is going to play a huge role in enabling flexibility.

At Telstra we saw early that 5G was a game-changing technology. That's why we were first to market on 5G while others were still debating the business case. That's why we now have 50% of population coverage, and nearly 75% of all handsets that we sell today are 5G handsets.

5G has 10 times the capacity and speed of 4G. As the world of the internet of things expands, and where everything that can be connected will be connected, 5G is the wireless network that will enable it.

2021 an inflection point for Telstra

2021 is an inflection point for Telstra as the changes we have been making as part of our T22 strategy gain momentum.

We are migrating customers into a new technology environment at scale, we need to complete a restructure of the business, we need to further extend our 5G population coverage to 75% by June, we need to continue to fundamentally change how we operate; and we need to complete job reductions put on hold during COVID.

We have also reached the end of the rollout of nbn which means some of our headline results will still carry the weight of the past while our underlying performance is starting to reap the benefits from the investments and changes we have made including cost out, leadership in 5G, and simplification of consumer and small business plans.

We said at our Investor Day in November, we expect FY21 underlying EBITDA to be weighted to the second half.

No doubt there will be plenty of headlines but, as we continue to transform, the underlying trend for Telstra is good.

Conclusion - we must not miss the opportunity

Let me conclude.

At the end of 2020 it was clear Australians wanted to do business differently. To work differently. To live differently.

The biggest risk we face as leaders is believing things will snap back to how they were. They will not - and in many ways they should not.

This is a time of unprecedented disruption and we must respond with unprecedented action.

We need to be bold, to not squander the opportunity to think differently, to not just recover but recover stronger by building more resilient, more digital, more future-ready organisations.

I said at the outset leadership is about providing clarity and confidence of direction, and that is most challenging in times of profound uncertainty. But leadership is also about seeing and seizing the opportunities

We have an historic opportunity now to renew, revitalise and reimagine businesses fit for purpose in the digital age.

It is a moment we must not waste.

Thank you.