



ASIC

Australian Securities & Investments Commission

Leadership and influence: an internal and external perspective

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Government Business Conference

Leadership Excellence: The Sydney Experience

23 February 2007

Coogee Beach, Sydney

Introductory comments

- Good Afternoon.

- I would like to thank the Government Business Conference for giving me the opportunity to speak with you today.

- The breadth of experience and expertise of the audience here today means I am looking forward to the opportunity to discuss our various takes on leadership, including what's important and what the issues are.
 - Among colleagues able to share similar (and, in some cases, dissimilar) experiences and thoughts, I would like to stimulate thinking about how we can each, individually and collectively, better lead and influence the Australian community in the context of our respective public roles.

- It is interesting to reflect that we have an increasing emphasis in Australia on whole-of-government approaches, while there is also a growing focus on global regulation.
 - Can we envisage global regulation extending to corporate laws?
 - I suggest it has already started, much of the lead coming from the European Union.

- Today, I will speak from my own perspective as Chairman of the Australian Securities and Investments Commission (**ASIC**).
 - Specifically, I will discuss leadership and influence from two viewpoints:
 1. first, a look into how we approach leadership and influence in our agency, including our own 'Sydney experience'; and
 2. secondly, from the perspective of our leadership role among industry, including our role in global financial markets.

Taking the regulatory lead

- As a starting point, I'd like to take a few minutes to remind you of the breadth of our work as the 'corporate watchdog', which is not necessarily always well understood.

- Broadly speaking, ASIC's statutory mandate requires us to administer corporate and financial services laws to:
 - enforce the laws of the Commonwealth;
 - protect consumers, investors and creditors and promote their informed, confident participation in our markets; and
 - of equal importance, maintain, facilitate and improve the performance of the financial system and the entities within it to enhance commercial certainty, reduce business costs and promote the efficiency and development of the economy.

- Regulating within this mandate is often a delicate balancing act. It is by no means an easy task given the complexity of our remit and the diversity of our stakeholders' expectations.

- To give you an idea of our scope of interest, we regulate some:
 - 1.5 million companies;
 - 6,000 company auditors;
 - 750 registered liquidators;
 - 15 financial markets, including the Australian Securities Exchange;
 - 5 clearing and settlement facilities;
 - 4,400 financial services businesses, including fund managers, stockbrokers, financial advisers and insurance brokers;
 - 4,300 managed investment schemes;
 - financial services businesses who are also regulated by the Australian Prudential Regulation Authority (**APRA**), including banks and deposit-taking institutions, superannuation funds and life and general insurance companies; and
 - credit providers operating under State and Territory laws.

- We have offices in every capital city of Australia, as well as regional Victoria, where our information processing and call centre is located.
 - Our staff numbers are around 1600.
 - To give you a feel for our specific 'Sydney experience', our Sydney office is our largest, reflecting a concentration of regulated entities on the Eastern seaboard.
 - We currently have over 600 staff and, given growth in demand, we expect to grow this to some 735 staff over the next six months.
 - Despite this emphasis on the Eastern seaboard, we must provide for national consistency.
- A challenge for us is the need for ASIC to work to achieve our mandate and regulate these entities in a *global* context.
 - Increasingly, we are accountable to the global financial markets in which we play a significant role. To this end, we are committed to carrying out our business as a *global* regulator.
 - Our work around the globe, including current endeavours to achieve levels of mutual recognition in a number of jurisdictions, is a clear indicator of this approach.
- We are also compelled to remain attuned to the particular characteristics and needs demanded by the local, national and international environments in which we regulate.
 - Leadership and influence on strategic direction and vision – both internally and externally – is a key element in continuing to achieve this.
 - So let me turn, first, to leadership from within.

'It starts from within': a view into ASIC

- In my experience, strong leadership and influence within an organisation is essential.
 - It requires buy-in from senior management in relation to the strategic direction and priorities of the organisation.

- Historically, ASIC undertook a somewhat rigid, yet systematic process for developing its own strategic direction and setting its priorities.
 - This involved assessing key regulatory and organisational risks facing ASIC, which were then mitigated through a range of internal and external priority strategies.
 - However, one of the difficulties with this approach, we found, was its inability to take into account emerging issues that inevitably arise during any given year.

- Accordingly, we have, more recently, complemented this systematic approach by ensuring we have greater capacity to respond flexibly through allocating organisational capabilities and resources when necessary.
 - We also established a Compliance directorate with resources set at about 50% of the resources of our Enforcement directorate. One of the Compliance directorate's key functions is to identify, in a real time sense through surveillances, harm or wrongdoing before any real financial hurt occurs.

- Of course, like any dynamic organisation, ASIC continues to evolve in how best to set strategic direction and, while we can always do better, I believe that we are well on track to achieving this.
 - One of the most important improvements we made to our process in the last twelve months or so is to better align our budget and resource allocation to our business planning process.

- Let me pause for a moment to reflect again on an aspect of the ‘Sydney experience’.
 - ASIC’s significant presence in Sydney meant that we were in real danger of being perceived as lacking a focus on our Canberra-based stakeholders, who include the Government, Treasury, Department of Finance and Administration, as well as our fellow regulators and tax authorities.
 - We therefore increased our visibility in Canberra, quite intentionally drawing on and building relationships among these stakeholders.
 - Last year in particular, this led to greater understanding of our business and its needs, which assisted in us being granted our budget allocation.
 - Funding supports the activities that underpin the running of our business and provides our people with the resources needed to carry out their role to the best of their ability and with the right tools.
- Another aspect of our business planning and priority setting has been rethinking how we communicate.
 - Communication is a key aspect of how anyone is able to lead and influence successfully, from both an internal and external perspective.
 - We often work under intense scrutiny of stakeholders and, given the nature of our work, there are also many constraints on how and what we can communicate about issues.
 - We are in the press a lot.
 - While we must be very careful with our media currency, reporting of our regulatory decisions in an accountable and transparent way can mean there is a much wider impact throughout the community (beyond the specific matter itself).
- We are also seeking to better understand the internal and external environment in which we operate so that we can better frame our planning and approach to issues.

- I would now like to spend some time focusing on how we lead and motivate our No 1 resource – our people – before moving onto how we are able to become a leader among industry.

- The key tool that we use to understand our people is our Employee Opinion Survey.
 - ASIC has now conducted two Employee Opinion Surveys and is in 'planning mode' for our third.
 - At first glance, undertaking a survey such as this probably appears daunting to any organisation, particularly as you need to commit to sharing the outcomes with your staff.
 - However, in my view, a true indication of leadership is recognising that none of us are infallible and that working towards continuous improvement should be the ultimate goal.
 - I want to hear what our staff have to say about our business and the suggestions they choose to give me.

- In the Employee Opinion Survey we conducted last year, we recorded employee satisfaction 65%, which was up a significant 5% from our 2004 survey.
 - We are advised that this satisfaction level has brought us on par across Australian public and private enterprise.
 - The numbers are interesting, particularly the trends, but not as important as the focus we have on the messages our people provided.
 - Our people thought that the best things about working for ASIC were their fellow employees and the challenging work and job satisfaction that they receive.
 - Most importantly, our people reflected a genuine belief that their work was important to the public good.

- So, if we were on par with other organisations, well funded to continue doing our job, and our people were committed to our agency goals, one might therefore reasonably ask: Why change anything?
 - In my view, this would be a dangerous way of leading our agency and, while continuing to strive for improvements can be challenging, I believe that our staff agree we must never rest on our past achievements.

- We explicitly choose to embrace opportunities to improve what we do and how we do it.
 - We accepted that we needed to continue to build our dynamic organisation and remain committed to the management and development of our people, systems and processes to ensure we were better than merely 'average'.
 - We want to be a high performance regulator and continue to play our important role in Australian and global financial markets.

- To achieve this, we needed to listen to and leverage off what our people were telling us.
 - We, therefore, began to ask pertinent questions about issues that mattered most to our staff to ensure our strategic direction going forward was clear.
 - On people, this included asking ourselves:
 - Are we getting enough out of them and giving them enough to keep them committed? Are we doing our job as effectively as we can? Are we in a position to act quickly and decisively to choose the best regulatory response in any given circumstance?
 - Let me pause here for a moment and reflect on how we, as a public sector agency, are constantly competing with the private sector for talent, particularly in 'hot' job markets like Sydney.
 - This issue challenges us from both the perspective of attracting people to ASIC and retaining them.

- We allocate interesting and challenging work nationally to help mitigate this.
 - We also have in place a strong graduate program, which allows us to develop young talent in the market. This year alone, we have welcomed 25 new graduates to ASIC nationally, who have come from a range of disciplines and were selected among a strong field of over 600 applicants.
 - Additionally, we are in the process of finalising our secondment policy as a means of ensuring ASIC is known – in both private and public sectors nationally and internationally – as a leader in enhancing its performance, developing employees and providing opportunities for ASIC to better understand industry concerns and, vice versa, for industry to better understand our perspective as a regulator. There is no doubt scope for cross-agency secondments here, which can contribute to the enhanced whole-of-government approaches now sought.
- Of course, we also realise that an internal focus is only one part of the equation. The bigger questions that our people raised in the Employee Opinion Survey were in relation to the strategy for our organisation as a whole.
- We, therefore, began to ask:
 - Are we looking out for the interests of ASIC as an organisation and its needs to meet community expectations?
 - Are we operating as a single organisation, that is, ‘one ASIC’?
 - Are we working smarter and challenging old ways of doing things to remain dynamic, flexible and responsive to the external environments in which we operate?
- It is to this aspect of leadership and influence that I now turn.

A leader among industry: being externally focused

- As a regulator, I think the key to leadership and influence from an external perspective is:
 - *understanding* the environment we operate in;
 - *anticipating* circumstances before they arise;
 - *providing direction* to others to initiate change and stay abreast of developments, whatever they may be, through thought leadership and debate on regulatory issues; and
 - *operating with integrity*.

- In the last year, ASIC has done much to drive a more effective regulatory environment both in Australia and internationally.
 - In my view, we are one of the leading proponents of what is increasingly becoming a global debate on regulation and its impact.
 - Internationally, we are committed to ensuring that our financial markets remain competitive with the rest of the world.
 - Nationally, we are strongly committed to providing greater predictability to our stakeholders, be they Government, industry or consumers.

- We have undertaken a range of initiatives under our 'Better Regulation' brand, the details of which I will not delve into today, but I encourage you to check out on our website. Broadly, they cover improving the following areas:
 - our transparency and accessibility;
 - duplication and overlap;
 - understanding business impact;
 - streamlining paperwork; and
 - engaging with stakeholders.

- Today, however, I wanted to provide some practical examples of how we are better connecting with our stakeholders and influencing their behaviour.

- Flowing from feedback from our people in the Employee Opinion Survey, as well as external stocktakes of the regulatory environment, such as the report of the Taskforce on Reducing Regulatory Burdens on Business, ASIC is aware of the need to build partnerships with all of our stakeholders.
- Doing so will mean that we are in a better position to give effect to the improvements we are driving.
- Staying abreast of market developments through active liaison with our stakeholders is key to making this happen.
 - For example:
 - Business Consultative Panel – we established a Sydney and Melbourne Chapter of these panels, through which we engage in open discussion on current emerging market issues and risks and get feedback on our own activities as a regulator including in areas as diverse like disclosure, private equity and directors’ duties.
 - Consumer Advisory Panel – similarly, our Consumer Advisory Panel advises ASIC on consumer issues and comments on our consumer protection activities. We have engaged with this panel on a broad range of issues such as consumer finance, conflicts of interest for financial advisers and financial literacy.
 - Stakeholder liaison – of course, we continue our national and regional industry liaison arrangements across the board for all our stakeholders, which include financial services, capital markets and accounting professionals. These arrangements involve regular liaison with key industry associations, periodic consultation with the industry collectively and liaison with senior technical and operational staff.

- We particularly interact with other Treasury and law enforcement agencies such as the Australian Taxation Office, APRA and the Commonwealth Department of Public Prosecutions.
 - Indeed, forums such as these provide invaluable opportunities to create new networks that can assist in improving these endeavours.

Conclusion

- In closing today, I would like to emphasise the importance of our collective roles, as representatives of the public sector, in leading and influencing behaviour both within our own agencies and beyond.
- In the interests of all Australians, we must individually and together take a leadership role in meeting each of our remits.
- I hope that I have provided you with a good insight into how ASIC goes about undertaking this role, both internally and externally.