Occasional Address

University of Sydney Business School Graduation Ceremony

1 June 2012

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BSc '69 BE(Elec) '71

Chairman, BUPA Australia

Professor Peter McCallum, Chair of the Academic Board; Professor John Shields, Associate Dean, The University of Sydney Business School; Members of the University Senate; Faculty; invited guests; and graduates of the University of Sydney.

I am delighted to have been invited to join in your celebrations today. These mark your academic achievements to date, and foreshadow others.

Let me begin by thanking the Chair of the Academic Board for his generous introduction of me. Justice William Brennan, a judge of the US Supreme Court, said when he was given a positive introduction like that, that he wished his parents could have been there to hear what was said. "My father would have loved it – and my mother would have believed it."

I graduated from the Faculty of Engineering in 1970. That was forty two years ago. I don't remember what the speaker at my graduation said, nor even who he or she was. But knowing
how I would have reacted in 1970 to someone who'd graduated forty two years earlier (that is, a graduate from 1928), I am under no illusion about the challenge today of gaining your attention.

In terms of my formal studies, I came to business from science and engineering. Why business? I am not sure, but I imagine that any of us who has studied business has done so because we feel that business embodies other disciplines. It is an amalgam of art and science.

Problem solving in a business context will involve your using analytical tools from various functional skill areas in addition to a very real requirement to see the big picture and to be able to segment it relevantly into issues to be resolved.

I think that business is really interesting because business problems invariably involve dealing with people and their problems. It doesn’t matter whether you are working in the private sector, in the government sector or in the not-for-profit sector, you will find that empathetic interactions with others will be key factors in your successful implementation of any business plan.

Although business is certainly not the only field of endeavour where personal values and integrity are important, I think that, in business, because there is so much interaction with people, your personal values will define your work in very obvious ways. The respect you show others will be reflected in the respect shown to you; the consideration you show for
someone in difficulty will be reflected in the consideration you receive when things aren’t going so well; the integrity and honesty with which you deal with others will be reflected in the way you are dealt with.

Your reputation will be built over the years by your good conduct; but guard it jealously because it can be destroyed in an instant.

I have been very fortunate to have had executive and non-executive responsibilities in the private, public and not-for-profit sectors. You have no doubt read about, and probably studied as part of your degree course, the increasingly onerous sanctions facing company directors, especially public company directors. It seems to me that the principal factor that causes legislators to move in these directions can be traced back to poor conduct on the part of business men and women – conduct which may have harmed employees, customers, shareholders or other stakeholders; conduct which offends the community; and therefore conduct which is not to be tolerated.

As the future business leaders of our nation, you have a very real and very important responsibility so to conduct yourselves that the free enterprise system from which we derive our way of life is not over-regulated or over-sanctioned to the point where personal and corporate initiative and creativity are stifled.
One of the hot topics for business at present is executive remuneration and the associated scrutiny of companies’ remuneration policies and procedures.

What do you think brought this on? Greed!

Don’t be greedy. By all means be rewarded for what you do – even be rewarded generously, but don’t close your eyes to the contributions others make to your success and don’t deny them their share of your company’s success. Don’t allow the size and scale of businesses today to overwhelm your judgement and sense of proportion.

As has been mentioned, I am president of the Commonwealth Remuneration Tribunal – we set remuneration arrangements for senior public offices, including parliamentarians and the judiciary. In an annual report a few years ago, I wrote as follows:

"The prestige associated with appointment to a high public office entails acceptance, on the part of appointees, of less remuneration than might apply to a comparable job in the private sector."

The reality is, of course, that there is considerable prestige, honour, power and influence associated with many senior positions in the private sector. Private sector boards should take tangible account of these attributes of an office when setting remuneration for it.
In the public sector, appointees to certain offices where there is a clear ‘honour’, or even overt public service, will accept less financial reward than would otherwise be the case. Men and women accept appointment to the federal courts, for example, where the rates of annual pay are far less than they may have been receiving as a barrister. However, the honour of serving as a judge has a value – a very significant value.

This non-financial value is often referred to as ‘psychic income’. I think that the private sector should acknowledge that certain very senior positions involve very considerable aspects of prestige, honour, power and influence, and that the remuneration arrangements for appointees to such positions should reflect this.

With the changes to the corporations law and the ASX Listing Rules, the private sector is being forced to look at the appropriateness, from the perspective of shareholders, of some of the extraordinarily remunerative arrangements enjoyed by senior private sector executives. The public sector experience would suggest that excellence on the job can be achieved without excessive financial reward.

This is certainly an area where you, our future business leaders, will have to take strong leadership positions and, in my view, remove the excesses from senior executive remuneration in the private sector.

Thank you for having me to share some thoughts with you today. There are many areas of interest and opportunity in
business about which we could speak, but I know I have taken
enough of your time.

I congratulate you all warmly, and I congratulate your
families and friends. You should all be proud of your graduation
today, and you should all celebrate this important milestone.

Your studies have trained you in problem identification
and analysis, and in the development of workable solutions.
These are invaluable skills, and are capable of wide application.
Your business studies at the University of Sydney will be
remembered fondly as having provided you with the essential
foundations for your future careers.

I return to my original theme. Your personal values and
integrity will define you: the respect you show, the
consideration you extend, the integrity and honesty with which
you deal – these are what really matter and these are the values
from which you will reap the richest dividends.

Congratulations again. I wish you all the very best.