



The Breakout Story: transforming the culture of ANZ

It was 2000 and a new management team at ANZ knew that if the bank was to continue to gain a sustainable, competitive advantage and increase its position in both the Australian and global markets, ANZ would have to become a high performance values-driven organisation.

So ANZ embarked on a cultural transformation journey.

The management team made a strong commitment to focus on people, organisational culture and values to build a very different bank.

Significant progress has already been made, especially in responding to the needs of stakeholders. ANZ now has the highest employee engagement score of all major companies in Australia and New Zealand (Hewitt, 2006), the most satisfied retail customers of all major banks (Roy Morgan, 2006) and is recognised for its leadership role in addressing the community issues of financial literacy and inclusion (The Corporate Citizenship Company, 2005). However, ANZ is quick to point out that cultural transformation is a journey.

This is how the journey began and the progress so far.

The scene in the 1990s

Creating the case for change.

A new strategy - Perform, Grow and Breakout

Developing the strategy to become the bank with a human face.

Transforming the culture of ANZ

The initiatives, workshops and tools that brought the vision to life.

The impact of Breakout

Clear and compelling results.

The future of a very different bank

Long-term creativity and a competitive advantage.



The scene in the 1990s

Throughout the 1990s, Australian banks faced tough market conditions. ANZ had high levels of bad debts and recorded several years of poor financial performance. A new Chief Executive Officer, John McFarlane, was appointed in 1997. He and the (then) management team addressed the situation and by 2000, ANZ had reported record profits.

However, after years of restructuring and down-sizing the internal culture had become political and bureaucratic. Branch closures, increased product complexity and fees and charges had also created an environment where the banking industry had lost the trust of key stakeholders including their customers and the communities in which they operated.

The impact on ANZ people was also significant. Employee numbers had almost halved due to widespread restructuring and in 1999 only 49 percent of employees said they were satisfied working at ANZ according to the organisation's annual staff satisfaction survey.

ANZ management knew that they had to take action. They realised that it would not be enough to focus on financial performance alone; if it were to become a truly high performing, values-driven organisation ANZ would need to engage its people in building a different bank.

Ultimately that meant the culture at ANZ had to change.

"We worked out early on that if we really wanted to have superior performance, value for shareholders and maintain service for customers, then we needed to engage the hearts and minds of the people inside the organisation. If people are happy and productive, then those things will happen eventually," said ANZ CEO, John McFarlane.

ANZ drew on McKinsey & Company research that showed high performance organisations operate using a clear set of organisational values as the basis for all activities and decision-making. Research also showed that people are happier and more engaged when they work for an organisation that holds similar values to their own.

Taking a temperature check

And so in 2000 ANZ took a temperature check of the culture of the organisation using Cultural Transformation Tools' (CTT) *Values Assessment Survey* and McKinsey's *Performance Ethic Survey*.

In the *Values Assessment Survey*, employees were asked to select ten values that they felt best described the current culture at ANZ and the ten that best described their ideal organisational culture. They were also asked to select their top ten personal values.

The results showed that ANZ employees felt that the organisation's culture didn't reflect their own personal values and that the current culture at ANZ was not the culture employees wanted. Employees selected values words such as 'bureaucracy', 'hierarchical', 'long hours' and 'risk aversion' as reflective of the current culture.

The *Performance Ethic Survey* was a benchmarking exercise that compared ANZ's culture to other high-performing companies in Australasia. While it reinforced ANZ's strengths in financial and operational areas, ANZ ranked below the average of Australasia's leading companies on three important criteria: 'effective working of the organisation', 'clear compelling mission' and 'values'.

A new strategy

Perform, Grow and Breakout

Faced with the realisation that to become a high-performance, values-driven organisation it would require a radical transformation of its culture, ANZ launched the Perform, Grow and Breakout strategy.

The strategy was a defining moment as it set ANZ's intention to match the organisation's focus and energy on performance and growth with an equal emphasis on people and culture.

Equal emphasis on financials and people

Perform - delivering on market expectations: financial performance and shareholder value.

Grow - growing the organisation in a sustainable way; increasing revenue growth and strengthening leadership positions.

Breakout - the cultural aspect of the strategy to build a high performance culture where people are inspired and values-driven.

Vision and Values

With the Perform, Grow and Breakout strategy in place, the organisation set about engaging employees in an aspiration that held real meaning for them. After talking extensively with staff the vision became clear - ANZ wanted to differentiate itself by being "The Bank with a Human Face".

This aspiration spoke directly to the creation of trusted relationships between ANZ and its four key stakeholder groups - customers, shareholders, employees and the community. This is reflected in the organisation's values which reference each of these stakeholders.

ANZ Values

- Put our customers first
- Perform and grow to create value for our shareholders
- Lead and inspire each other
- Earn the trust of the community
- Breakout, be bold and have the courage to be different

At ANZ, the values are not just a set of words.

"Values are at the centre of gravity towards what is good, moving us towards what will create a better future for all of us. That centre of gravity stands at the heart of what we want rather than a rulebook of a thousand pages that no one can understand. It's what we want to be as an organisation," said John McFarlane.

All employees are given a values card when they join ANZ. They are encouraged to carry the card with them at all times and to use it as a reference point for decision making.



Transforming the culture of ANZ

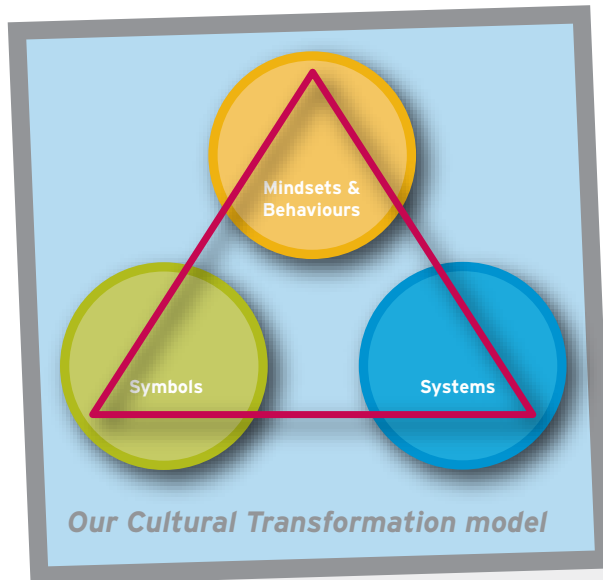
Transformation 'from the inside out'

From the outset, the *Breakout* component of *Perform, Grow and Breakout* was focused on cultural transformation 'from the inside out'. A dedicated team was created within ANZ to lead the transformation.

The Head of the Breakout and Cultural Transformation Team, Siobhan McHale, says Breakout is based on the principle that organisations don't transform, people do.

"'Inside-out' transformation was the aspect that made Breakout very different from most other organisational change programs happening at the time.

"We knew that an ANZ transformation could only happen through the collective personal transformation of the individuals within the organisation and a positive shift in their mindsets and behaviours," said Siobhan.



"The most challenging aspect of the journey was shifting mindsets and behaviours - the "inside out" element. The focus was to empower people in the organisation to become aware of their impact on others and give them the tools to enhance these relationships," explains Siobhan.

The first step was a three day workshop on personal transformation which ANZ ran in 2001 for its top 50 executives. Feedback was overwhelmingly positive, with some participants commenting that the workshop prompted life-changing experiences.

Its success prompted ANZ to roll out the Breakout workshop to another 1,000 employees in the first year and then 5,000 in the next year.

"The Breakout workshops are based on key principles such as emotional intelligence, trust and communication. From the outset the impact of focusing on the 'self' was beyond anything we could have imagined - our people have really embraced this experience," says Siobhan.

The workshops centre on an individual's personal journey, presented in the context of business relationships. They are designed to support participants in examining the thoughts and values that drive their behaviour and the impact this has on the culture at ANZ, while equipping them with practical skills and tools to make values-based decisions. The workshops are run by a dedicated consulting team within the Breakout and Cultural Transformation team.

Based on the success of the Breakout workshops, in 2003 ANZ implemented a non-directive coaching style across the organisation. In partnership with the Australian Institute for Executive Coaching, ANZ developed two specialist Breakout Coaching programs: Leader as Coach and Advanced Coaching Skills.

In 2005, recognising a need for a dedicated transformational experience for intact teams (the Breakout workshops and Coaching programs are for individuals), ANZ designed and launched a new program for senior leadership teams. The Breakout Recharge program focuses on re-energising teams and lifting team performance, and is currently being cascaded through the organisation.

Building an environment of trust with employees, customers, shareholders and the community

While shifting mindsets and behaviours is a critical aspect of the transformation process, ANZ recognised from the outset that workshops alone would not transform the organisational culture.

“For the cultural transformation of any organisation to be successful, you have the right systems in place across the organisation. For instance, there’s no point having a set of shared values if you have processes and policies that are inconsistent with those values,” said Siobhan.

Since Breakout began in 2000, ANZ has invested considerably in the right systems and symbols to support the organisation’s cultural transformation - not only for employees, but for all of its key stakeholder groups: employees, customers, shareholders and the community.

Diversity

ANZ supports an inclusive workplace where employee difference, such as gender, age, culture, disability and lifestyle choice are valued. Through our voluntary diversity surveys we know that diversity in the workplace is important to employees. We are a culturally diverse organisation with employees born in more than 130 different countries.

In 2004 we established the ANZ Diversity Council to identify and prioritise diversity issues, implement interventions and share best practice across the business.

Some of our diversity programs include:

- **Indigenous employment:** In February 2006, ANZ signed up to the Indigenous Employment Agreement with the Australian Government to provide more employment opportunities for Indigenous Australians.
- **Mature-aged workers:** ANZ was the first Australian company to introduce guaranteed part-time work for employees aged 55 and over.
- **Women in management:** Women comprise 60% of the workforce in Australia. ANZ have been an Employer of Choice for Women since 2002 and in late 2005 were named the Leading Organisation for the Advancement of Women (among organisations with more than 500 employees).
- **Disability advocacy:** We have revised our ANZ Disability Action Plan based on survey outcomes and consultation with relevant business networks; this includes our approach to the recruitment of people with a disability.

Flexibility

We understand that employees want flexible working arrangements to enable them to effectively balance their work and personal commitments. ANZ doubled parental leave in 2005 from six to 12 weeks of pay, with no minimum service period to qualify. We also have a partnership with ABC Learning Centres Ltd to build and operate childcare services for ANZ staff in Australia.

Our Carer's Leave policy offers 76 hours leave for employees to provide care and support to family members in illness or emergencies.

Other flexible options include: lifestyle leave providing an additional four weeks unpaid leave; flexible long service leave - where employees can take double long service leave at half pay; career breaks - providing extended unpaid leave; job sharing; and telecommuting.

Employee benefits

Our employees can enjoy a range of benefits such as discounts on ANZ products and services, salary packaging choices and access to discounted ANZ Shares.

Since 1999, ANZ has made an annual allocation of up to \$1,000 of shares to each permanent full-time or part-time employee (excluding senior executives) with a minimum of one year's continuous service as part of our Employee Share Acquisition Program. More than 26,000 of our employees in 27 countries are shareholders.

In 2006 we launched ANZ Branch 757, an exclusive service, giving our employees access to special offers on ANZ products and services.

Open communication

ANZ encourages a culture of open and honest communication where employees feel comfortable raising issues with their line managers. There are many ways for our employees to contribute to our business. We conduct regular employee surveys and our company intranet provides channels for employee feedback including a CEO Chat site and bureaucracy blogs.

Health, safety and wellbeing

ANZ proactively supports the physical, emotional and financial wellbeing of its people. A number of programs are in place to support this approach.

- The **My Health program** provides a free physical check-up during working hours to all Australian staff every two years as well as being a source of comprehensive online health information.
- A **mental health site** on our intranet provides information about mental illnesses and tips for good mental health.
- A **Community Services Directory** provides information for all ANZ employees who wish to seek professional and confidential information on a range of matters related to their work or home life.
- The **physical wellbeing** of our staff is important to us and over the past two years, ANZ has participated in the Global Corporate Challenge - a six-month fitness initiative where participants undertake a virtual walk around the world. In 2006 we funded more than 200 teams in Australia and New Zealand, as well as additional teams in eight other countries.

Talent and graduate programs

We nurture our talent with leadership coaching, mentoring and development opportunities. In 2006, we recruited more than 250 graduates in Australia and New Zealand. The graduates take part in a 12-month development program which involves a one-week residential orientation in Melbourne and a series of learning labs through out the year. One of the learning labs involves working on a project for four months where they are assigned a 'live' business issue and receive coaching.

Learning and development

In 2005 and 2006 we invested \$50 million in learning and development in Australia and New Zealand. Some of ANZ's learning initiatives include:

- The **'My Development' program**, an online tool, which helps managers and individuals to have planning and performance management conversations.
- The **Management Essentials Program** which is designed for people managers and provides essential capability development for first time people managers.
- The **Accelerated Learning Laboratory** - a joint initiative between the Australian Graduate School of Management, ANZ and other leading companies designed to fast-track development of competences, such as critical thinking skills and collaboration.

Performance management

The performance of each person at ANZ is linked to remuneration and rewards and assessment covers financial and non-financial criteria such as customer satisfaction, employee engagement, community involvement and environmental performance. Key performance indicators are established in consultation with the individual and performance reviews are

conducted informally at half year and formally at least once every year. Line managers are encouraged to regularly discuss development with staff. All staff have access to the 360 degree feedback tool which helps employees understand their performance. This feedback is also used to inform the development of our top 100 executives.

Connecting with our communities

ANZ has built a comprehensive community agenda which supports their aspiration to be "The Bank with a Human Face". This includes maintaining a branch presence in rural and suburban communities and financial programs for the community, including the "Money Minded" financial literacy program which aims to build the knowledge, skills and financial confidence of the community, particularly the most vulnerable and "Saver Plus", a savings program for people in a debt trap (where ANZ matches each one dollar with two dollars).

We provide our employees, customers and shareholders with opportunities to support the causes that are important to them. In 2006, we invested almost \$3.5 million on employee community engagement programs which equates to 25 percent of our total spend on community investment.

We introduced our volunteering program in 2001 giving all Australian and New Zealand employees the equivalent of one day of paid volunteer leave per year. The program recognises and supports those who are already community volunteers and encourages others to get involved.

Through our Community Giving program our Australian employees can make contributions to any of our 18 community partners and the ANZ Staff Foundation through regular payroll deductions. Teams of employees can also raise funds for local



charities as part of the program. ANZ matches each employee contribution and team fundraising collection dollar-for-dollar up to \$1,000 to a total of \$1 million per year.

We also provide customers with the opportunity to donate to one of 27 charities online via internet banking.

Focusing on shareholders, ANZ set an objective to become the best managed and most efficient bank in the world. Significant improvements since Breakout began include a reduction in cost-income ratio from 65 percent to 45 percent (2000 to 2006) and a reduction in beta from 1.5 to 1.0. The ANZ share price increased from \$14.45 in 2000 to \$23.85 in 2005 and market capitalisation has doubled in five years.

The organisation has invested in offering customers a more effective service, through the creation of 16 specialised business units which pushed accountability down the line and encouraged the teams running those businesses to treat them as their own and to own the outcomes. Local CEOs were established in the personal division which helped to remove some of the bureaucracy in the branch system and restored customer faith and a dedicated customer charter was developed with specific delivery promises that are tracked and publicised externally each year.

Along with these systems, symbols are a key component of ANZ's cultural transformation process. ANZ uses **symbols** to reinforce its values and cultural aspirations, such as:

- Quiet Rooms within many ANZ buildings to encourage relaxation and meditation.
- CEO John McFarlane has a dedicated online forum (CEO Chat) where employees can share views and opinions directly with the CEO and senior leaders.
- There is Breakout presence at all key events, conferences and gatherings of senior leaders, including bi-annual senior executive forums and CEO addresses.
- Traditional symbols such as values cards, workplace posters, a dedicated Breakout intranet site and general merchandise.



Case studies

Creating real purpose

More than 1000 ANZ employees participated in the **Societal Purpose Project** which aimed to define the broader purpose of ANZ in society and explored the essence of 'who we are' and 'why we exist' as an organisation. The objective of this project was to strengthen our community relationships and change the way we do business.

Senior leaders and a global and multi-layered cross section of volunteer staff shared their thoughts and vision of ANZ's societal purpose in organised conversations and workshops using a consistent set of questions.

The responses were analysed to identify and develop key themes and staff views, recommendations on next steps and a strategy to embed societal purpose in the business and develop a societal purpose charter.

Breaking the things that don't work

As well as creating new systems to support the cultural transformation of the organisation, we looked at some of the systems and processes that weren't working; that were creating inefficiencies in our working practices and holding us back. In the first four years of Breakout, we undertook more than 40 different projects to improve a range of systems across the organisation.

A key focus was the eradication of bureaucracy which our employees identified in the 2000 values assessment survey as evident in our current culture. Projects, such as Delaying (where we reduced the number of management layers from nine to six) and Bureaucracy Alert (where employees were encouraged to identify bureaucratic processes which were not aligned to ANZ's values), reviewed particular processes and then changed or broke them as required.



The impact of Breakout

The foundations of ANZ's success and points of difference have been laid but ANZ is first to point out that Breakout is a journey. Here is an overview of the impact that Breakout has had on the performance of ANZ in the six years of the journey so far.

2000 - 2002

Initiatives

The Perform, Grow & Breakout strategy was launched and we established the ANZ values and stated our intention to be the bank with a human face.

We created 16 specialised business units.

Volunteer leave was introduced along with PCs at home, a discount purchase scheme for employees.

We developed our customer charter and aimed to increase our share price to \$25 by 2005.

The top 300 employees participated in the initial Breakout workshops and by the end of 2002, the program had been rolled out to 1,300 employees.

Key Measures

- Top three culture values were cost reduction, profit and shareholder value.
- Cost to income ratio in 2000 was 65%.
- Share price increased from \$14.45 in 2000 to \$18.33 in 2001.
- Staff satisfaction increased from 58% in 2000 to 62% in 2001.

2002 - 2003

Initiatives

The second wave of workshops 'Inspiring Leaders' was designed and rolled out.

We recruited and trained our ANZ in-house facilitators and established our Breakout consulting practice.

Management layers were reduced from nine to six.

The Saverplus pilot was launched.

7,000 employees had participated in Breakout workshops.

Key Measures

- Top three culture values were cost reduction, customer focus and shareholder value.
- Cost to income ratio in 2003 was 45.1%.
- The share price remained steady at \$18.30 in 2003.
- Staff satisfaction increased from 78% in 2002 to 82% in 2003. We measured staff engagement for the first time in 2003 at 53%.

2005 - 2006

Initiatives

Breakout workshops were customised to 6,000 frontline staff and we launched Breakout Recharge for teams.

We guaranteed part-time employment for over 55s and launched MyHealth a program that includes free health checks for employees.

26,000 employees have participated in Breakout workshops.

More than 2000 people have participated in coaching workshops.

More than 75 teams have participated in Breakout Recharge programs.

Key Measures

- Top three culture values are profit, customer focus and community involvement.
- Cost to income ratio was 45.6% in 2005.
- Our share price continued to rise from \$23.85 in 2005 to \$27.28 in 2006.
- Staff engagement was 60% in 2006, again the highest of all major companies in Aust. and NZ and higher than the financial services benchmark of 51%.

2003 - 2004

Initiatives

We launched our financial literacy, Saverplus and Money-minded programs.

We introduced more family friendly policies including childcare benefits and doubling parental leave.

In 2004 we paid 16,000 hours of volunteer leave.

Our community donations and sponsorships reached \$6.8M.

Our graduate program attracted more than 10,000 applicants for 250 positions.

11,000 employees had participated in Breakout workshops.

Key Measures

- Top three culture values were customer focus, cost reduction and accountability.
- Cost to income ratio was 45.3% in 2004.
- In 2004 the share price increased to \$19.95.
- Staff satisfaction was measured at 85% and staff engagement at 60%. The highest of all major companies in Aust. and NZ and higher than the financial services benchmark of 51%.

The future of a very different bank

ANZ is one of the few large Australian organisations to have made a sustained commitment to cultural transformation. The first six years of the cultural transformation journey have generated real and impressive results. However, the transformation of ANZ's culture is continual.

"Being the bank with a human face has allowed us to grow. We have been transforming ANZ from a traditional banking culture into a modern, vibrant organisation through our people and Breakout initiatives...creating a shared vision of an exciting organisation. Our achievements in this area have received recognition both here and internationally," said ANZ CEO John McFarlane.

Through Breakout, ANZ is creating a high performance, values-driven organisation that is delivering real competitive advantage that benefits all of its stakeholders.

ANZ is breaking out of the pack to be a very different bank.

