



## Bank Leverages Cultural Transformation Tools

### **One of the World's Top 100 Banks Leverages Cultural Transformation for Competitive Advantage**

ANZ takes relationship building to a level rarely seen in business, to generate extraordinary results and a virtually unassailable leadership position

As Australia's largest financial institution, ANZ was already enjoying success from performance improvement initiatives started in 1997. By 2000, ANZ decided that a new approach was needed to go beyond any previous initiative to create an unassailable leadership position and ensure sustainable success. To develop this new approach, ANZ engaged McKinsey and Company, one of the world's leading professional services organizations, to carry out a cultural assessment using Barrett Values Centre's Cultural Transformation Tools (CTT).

The Cultural Transformation Tools were specifically created to support leaders in building values-driven organizations that promote organizational excellence and sustainable performance. The ensuing dialogue based on the results of the cultural assessment allows an organization to develop plans that can transition them from "where they are" to "where they want to go." The collaboration between McKinsey and CTT allowed ANZ to evolve beyond simply a successful enterprise, to a bank that is performing above and beyond the norm in all aspects of performance – from its people to its bottom line.

### **Putting a Human Face on the Banking World**

ANZ is one of the largest companies in Australia and New Zealand, and a major international banking and financial services group, and ranked among the top 100 banks in the world. With headquarters in Melbourne, ANZ now has 30,000 people employed in 29 countries.

Following several years of poor financial performance, between 1997 and 2000 ANZ had improved its performance significantly, posting increased earnings, eliminating significant risk problems and delivering strong growth in shareholder returns. While this led to record profits, the bank felt it needed to regain trust lost through branch closures, increased fees and overall discontent with the industry. The leadership, under new CEO John McFarlane, understood that regaining trust would help ensure that the best possible results were generated on a sustainable basis.



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The decision was made to embark on a values-based journey of cultural transformation – one that would create an entity that would be seen by the world as the “Bank with the Human Face.”

### **The Leadership Imperative: “A Strong Focus on People and Values”**

Siobhan McHale, Head of Breakout and Cultural Transformation, explains, “ANZ operates in a world of rapidly changing expectations from a variety of different stakeholders.”

She adds, “Also, as the global environment changes, culture has become increasingly important, and a company’s value is being measured by intangible assets such as the depth and talent of its people, knowledge management and its brand and reputation. The leadership team knew that to gain a sustainable competitive advantage and increase our markets, we would have to become a high performance organization with a strong focus on people and values.”

### **The First Steps to Transform a Banking Leader**

ANZ’s transformational journey was dubbed “Perform Grow and Breakout” and was launched under the guidance of Sonia Stojanovic, the former Head of Breakout and Cultural Transformation and now consultant to other leading organizations around the world.

The Breakout component of the journey focuses on cultural transformation from the inside out. “Breakout is a holistic program primarily about people’s personal development which helps them make decisions about their own lives and how they interact with colleagues and relate to customers,” McHale explains.

The first step was establishing a set of principles based on values derived from ANZ staff. These were:

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

According to McHale, these five values provided the foundation for deliberations and decision-making to ensure that everyone at ANZ would work towards the same objectives and develop a shared focus on success. “We wanted to ensure that ANZ is creating value for society while growing our



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business, looking after our people, serving our customers and delivering profits for our shareholders.”

### **The Process: Measure, Move and Manage Culture**

To start the Breakout transformation, ANZ used McKinsey’s Benchmarking Performance Ethic Model and Barrett Values Centre’s CTT Values Assessment to establish a baseline measurement of ANZ’s culture. The McKinsey model quantifies performance, providing staff and management with indicators of high performance based on a rating system.

The CTT Values Assessment, which is based on Barrett’s Seven Levels of Organizational Consciousness Model, was used to establish baseline values data for the year 2000, and was subsequently used in the following five years to map the progress of cultural change. Participants in the Values Assessment were asked to select their top ten personal values, as well as ANZ’s top ten current and desired cultural values from a customized list.

The results of the assessment clearly indicated that several important positive values were embedded in the current culture, such as “results orientation” and “shareholder value”.

However, the assessment also exposed gaps between the leaders’, managements’ and staff’s personal values and their perception of the current and desired cultural values. Employees identified limiting values such as “bureaucracy,” “hierarchy,” and “silo mentality” in the current culture.

### **Embody the Values and Transition to a Cultural Ideal**

According to Richard Barrett, there is a consequence as well as an opportunity when employee’s values are not reflected in the current culture. When employees are unable to commit to their work wholeheartedly, productivity, initiative, creativity and many other key performance drivers are undermined. Where there are limiting values, there is a risk of cultural inertia and financial performance is diminished.

The opportunity to overcome these cultural challenges arises from the dialogue that ensues from sharing the results of the Values Assessment throughout the organization. This process helps employees understand precisely what the chosen values mean, and from that base of shared understanding, choose positive values and behaviors that better align with their personal and preferred cultural values.

### **Move It: Breakout Workshops so ANZ “Walks the Talk”**

Early in 2001, ANZ began Breakout Workshops led by the newly formed Breakout and Cultural Transformation business unit. The focus of these workshops was on the concept of emotional intelligence (EQ). “Focusing on the individual and their self-development, and fostering an open, trusting



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environment benefits both the individual staff members and the bank culture,” explains McHale.

The Breakout teams manage Breakout Charters during their inception and early development. These ANZ-wide business projects focus on process changes that support cultural transformation. Once established, ownership is transferred to a team within the bank for ongoing management to embed them into the cultural transformation process.

One example of a charter in action is “Strengthening Diversity.” Specifically, this charter aimed to build an environment that is inclusive of gender, age, ability, ethnicity and lifestyle preference among its people. Childcare services and enhanced leave of absence programs are among the innovations created by this charter through values-based, employee feedback.

Since the Breakout journey began, ANZ has completed over 40 charters.

### **Manage It: Breakout Consulting For a High Performance Culture**

Breakout Consulting is the third part of the process. This provides business units and teams with a range of diagnostic and consulting services to achieve a high performance culture. These diagnostics include a full complement of Cultural Transformation Tools. Barrett Values Centre trained ANZ managers on the use of the tools to allow ANZ to bring these resources in-house and establish their own consulting group.

As McHale says, “We wanted to have available a full raft of transformation tools so units can work with issues they identified and prepare for next stage feedback. These have played a role in helping us become self-sufficient in managing these processes.”

### **Inspiring Results Come with this New Face of Banking**

Since starting the assessments, ANZ has shown remarkable progress in aligning personal and corporate values. “Since 2000, there has been a steady shift of the values of the organization towards transformation of our business,” reports McHale.

Results from the successive surveys include:

- 90% of staff feels they have a clear understanding of ANZ values versus 21% in 1999
- 90% of respondents see stretch targets being set compared to 83% in 2001
- Staff satisfaction grew from 49% to 85%



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- Staff has voted customer focus as the number one value, and community involvement the number two value across the entire organization

This cultural transformation has also led to exceptional performance results:

- ANZ is performing at or above the Australian average on all aspects of high performance
- Share price grew from \$9.02 in 1998 to \$21.70 in May, 2005
- ANZ has experienced an average compound growth rate of 54% per annum since 1998
- ANZ is becoming an employer of choice for young people, with over 10,000 university students applying for 250 places in the 2004 Graduate Program

One of the major accomplishments for ANZ throughout its cultural transformation is that it has provided a compelling differentiating factor in a highly competitive marketplace. ANZ in fact was awarded the Best Bank in Australia 2004 Award by Australian Banking and Financing Magazine.

Richard Barrett hails ANZ's accomplishment as one of the best examples of sustained cultural transformation in the world. "They set a new standard altogether for this industry, and their innovation is a harbinger for other organizations wishing to enjoy long term, sustainable competitive advantage. That took vision and guts."

As the transformation journey continues, the next phase for ANZ is to shift the focus from staff satisfaction to employee engagement, an increased focus on growth and investment, and further development of a culture of mentoring and coaching within ANZ.

Throughout it all, McHale says the CTT tools will be used each year as an integral part of the process. "Surveys will be conducted to track progress. This will help us observe shifts in values, review progress and determine what worked, what didn't, what we should stop doing, and what needs to be redone, as well as what new things need to be added to the mix."

"After the first couple of years, we felt we had grown up enough to see the power of these tools and manage them ourselves," she adds. "We are now at the point where we can conduct mini-diagnostics and incorporate these tools into our coaching approach. There is no question we will continue to use them to support our processes as our journey progresses. More importantly,



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without the leadership team's full support and participation, this bold initiative would not have worked."

Because of their pioneering work in cultural transformation, other leading organizations from around the world are contacting ANZ and McHale to learn how they too may embark on a similar journey – and generate similar results.