

Engaging our people in sustainable growth

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The main challenge facing companies today is building an enterprise that will not only survive but also succeed over the longer term.

Although the world has grown substantially over the past 50 years, fundamentally survival is generally tougher in the developed world than it was then:

Economic growth in the OECD has declined from 5.1% in the 1960s to 2.5% in the 1990s – a decline of well over half a percent each decade.

This means companies have to fight harder for each dollar of profit and the pressures on management have never been greater.

This environment causes companies to strive for superior short-term results, with the consequence that instead of focusing on investing for tomorrow, they instead focus on harvesting today.

This is in sharp contrast with the purpose of companies, which is essentially to produce acceptable returns for shareholders over the medium term.

We cannot produce growth and return unless we invest in the capacity to produce that return. It is inevitable therefore that we must dilute current profits if we desire future prosperity.

In particular, to renew ourselves, we need to invest in those things that extend our competitive advantage and the sustainability of returns. Competitive advantage is about longer-term uniqueness – about being different and more capable than our competitors.

Accordingly, a focus on maximising short-term returns cannot be a solid philosophy for managing our companies. Doing so inevitably subdues investment and accelerates the long-term demise of the company.

It all serves to highlight that to be sustainable long-term, the bias of our focus cannot be on today but instead on the longer-term.

Making this shift radically changes the agenda of companies, because the things that contribute to today's results are not necessarily those that will build the long-term competitive advantage of the company necessary for long-term success.

For a company to be successful and stand the test of time, they must have a responsibility beyond that to shareholders – customers, staff, community, government, as well as shareholders.

In fact, I would argue that such broader focus is not inconsistent with sustainable long-term results for shareholders, as it requires directors and management to focus on the right things for the long run.

To this end some years ago, we reset the mission of ANZ and our agenda around stakeholders, setting ourselves on the journey of humanising ANZ internally and externally, and creating a clear mission for each of our stakeholders:

The Bank with a Human Face

Put our customers first

Earn the trust of the community

Lead and inspire each other

Breakout, be bold and have the courage to be different

Perform and grow to create value for our shareholders

The aspect of this agenda that I am most proud of and where I believe ANZ has distinguished itself globally relates to people.

I have always detested the term "human resources" on the basis of its lack of humanity. People are investments, not resources to be allocated.

That is why the mission of ANZ is to be "The bank with a human face" and to add humanity into banking and business.

Many forget that it is people that serve customers, create new ideas and who make companies great.

Arguably our people invest more in the company than shareholders. They invest themselves, not just their money. They put their futures in our hands and spend their waking hours making us successful.

If we fail, our people lose their livelihoods as well as their money. Our obligations to them in turn are enormous.

How people feel about working in the organisation and how passionate and engaged they are in its agenda, is what makes the difference between good and great companies. Our people innovate and produce results, and we in turn provide them with opportunity and development.

People don't just want a job they want a life. At work they don't just want to be an employee, they want to be a person, bringing their whole self to work, not simply what the typical boss wants them to be, defined and boxed, instead they want to be free and creative.

People are searching for fulfillment, and meaning. Since our staff members spend most of their waking lives with us, if we as employers can't or won't help them on this journey this journey they will find it on their own, or with those companies who will.

To this end, ANZ is now probably the largest private sector recruiter of graduates in Australia and the largest investor in the cultural development of our people and enlightened people practices and values.

This program we call Breakout that has led to a range of innovative people policies we've introduced:

- Subsidised PCs for employees families at home
- All staff receive ANZ shares each year
- Doubling paid parental leave from 6 to 12 weeks
- Providing child care centres in partnership with ABC
- Giving staff over the 55 the right to work part-time
- An online health and medical service with Free health checks
- Annual volunteering leave for every member of staff
- Lifestyle and career breaks up to 5 years
- Requiring a woman on shortlists for all management roles

Of course achieving this level of engagement in such a large organisation presents a unique set of challenges. Nevertheless, ANZ now has 85% staff satisfaction across 32,000 people, together with the highest staff engagement of all major companies in Australia.

The greatest investment has been in leadership development as talented leadership and is the scarcest resource in business today.

As leaders, our main responsibility is to enhance the capacity of our people to reinvent a new future for the organisation.

This requires us to create an environment of opportunity and challenge for our people, enhancing their capacity to produce and create, and to stimulate, release and focus the incredible energy that normally remains latent.

There is no doubt in my mind that how we manage the people agenda is the key factor that will reshape our destiny and become the bedrock of our sustainability going forward.

I would though conclude by going beyond this, by posturing that a company is not simply a financial construction, of land, labour and capital. It is much more than this. A vibrant company is more than the sum of its pieces. It is a synergistic space where $1+1=$ much more than 2.

What is clear is that the way we have managed and led our companies in the past is not the right way, given the lack of sustainability and humanity in many of our companies.

Going forward, we need a new, and more radical way forward, a paradigm shift in our conception of what a company is.

All of us here either deal with companies or work in them. We can sense when a company is working and when it isn't when we interact with it. We can tell if it is engaged with us or not. We can sense whether it is interested in us or in itself. We can also sense when a company lacks the vital ingredients for success.

If we can sense these things, it is more than its property, its people, its products and its capital. We can sense its true essence its vitality.

My own attitude is that a company is a community that is interdependent with other communities. It takes on the characteristics of those it engages with and, in turn, influences them.

So in taking our corporations forward, we need to think of advancing not a company but a community. This means a very different agenda for companies going forward.

Since people are searching for real meaning in their lives, I believe we are now firmly in a new age where spirituality, humanity and community will matter much more.

In such a world, enriching the vital spark, or soul of the company becomes the real agenda for our future leaders.

This is a new and very different way of thinking about our role as business leaders, and it will continue to tantalise us,

It does offer an opportunity for a different type of engagement between business and its people in our search to find our way forward in this new world.

Thank you.