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POSITIONING FOR CHANGE

WITH PEOPLE, CULTURE AND MANAGEMENT

THE FOCUS OF BANKS TO GROW THEIR BUSINESSES IN TODAY'S INCREASINGLY COMPLEX AND UNCERTAIN EXTERNAL ENVIRONMENT HAS BROUGHT SOME MAJOR CHANGES AND RETHINKING ABOUT HOW TO MANAGE PEOPLE AND TRANSFORM THE INTERNAL CULTURE.

Already the industry has gone through much change and transformation over the last ten years, affecting people, culture and management in this process. Many jobs have been lost, but have been replaced with new people with different skills and ways of thinking.

Driving cultural change

It is important to recognise what has driven this change. In many ways, the internal management and culture in banks is a response to the pressures of change that come from the external environment, as well as the banks' own strategic initiatives.

As a result, the industry has transformed to such an extent that it is absolutely critical that fundamental adjustments are made to align how management handles people, its most precious resource.

There are many external forces applying pressure to staff. Time scales, for instance, have been reduced to internet time in which everyone demands immediate answers. There's plenty of information from many new sources, but it's often a quandary as to what is valuable and should be read.

Because customer expectations – and their power to get what they want – keep rising, there is constant pressure to be more customer focused. Existing and new competition threaten many segments of a bank's business and the forces of globalisation just keep rolling on, constantly affecting a wide gamut of retail, business and corporate financial markets.

Change is constant and a very permanent part of the landscape. There is greater volatility in financial markets and a much greater degree of operational risk.

Security has also become a major concern and there is more confusion about how to create value from technology. We need to be prepared for the unknown more than at any other time.

As a result, the internal culture and management of banks has lagged in terms of keeping pace with the changes and complexities faced. Unless the issue is successfully addressed, it has the potential to impede growth.

What the banks are doing

Productive culture is what is being aimed for and is the key to further successful growth strategies. Part of this is focused on looking across the business of the bank and setting targets that stretch individuals, increase performance and motivate people.

Many banks today talk about unleashing the energy of individuals and encouraging them to work at their best.

Some banks are driving this very hard.

The cultural focus at the ANZ Bank has shifted to driving more accountability, achievement, customer focus and general continuous improvement whilst maintaining cost reductions and shareholder value. Importantly what's 'out' is bureaucracy, hierarchy, command and control and short-term focus.

The National Australia Bank is also addressing similar issues. According to the bank's executive general manager for people and culture, Peter McKinnon, the bank is focusing on innovation – diversity, creating a difference, new ideas and new perspectives.

'This involves bringing in executives and others with different backgrounds and experiences,' he says.

Banks are also measuring, using and publicising staff satisfaction rates. The well accepted view is the greater the satisfaction, the greater the productivity and performance which will result in turn in greater customer satisfaction and also execution of the strategy.

Leadership and management

A major precondition to achieving this transformation of culture revolves around having new forms of leadership and management.

There have been some discernable shifts in Australian leadership styles and methods and a lot is still being tried and tested.

The new style is focused on working with and managing change. Australian banks have remained strong and robust because they have changed the way they do things – they have become very adaptable. This needs to be sustained through further changes to the way people are managed.

The NAB's Peter McKinnon says the old 'command and control' operational style is no longer appropriate. 'There is a need to look at how you bring the best out in people, the way in which you engage them and... how you harness their energies and capture the value that they can bring.'

He says the bank has significantly altered the way it manages people, including the type of traits it looks for when appointing leaders.

'The focus is more on creating a trusted and more open environment – to be successful with this means it has to be forged on new disciplines and style of leadership – in particular, giving clarity of what you want to achieve as an organisation.'

In the process, it is important that leaders at all business levels are involved, driven by a strong commitment from the chief executive.

The great risk to transforming culture is that it does not have the commitment at all levels. Banks need to ensure that everyone is involved in these programs which usually have involved heavy investment in terms of both time and resources.

Yet there are constraints which need to be overcome and many of these revolve around people themselves, complacency, past success and the ability to better deal with the more complex external environment that has developed.

Strategies used

Typifying the approach of many banks, the NAB uses a number of strategies to achieve cultural and management change. Some of these include:

- Simply working hard to engage and get insights from people at all levels;
- Creating specialised strategy sessions with large numbers of staff and drawing on their insights, especially in relation to customer issues;
- Conducting 'breakthrough' programs which are all about engaging people at the business units on the challenges that the bank is facing and utilising ideas to find better ways to do things;
- Creating leadership development programs which involve people being thrust into new challenges. Research indicates that this is one of the best ways people learn;
- Creating opportunities for people to learn and grow, with the appropriate management support. At the NAB this involves using external coaches, as well as internal resources.

Meeting the challenge

The challenge in front of many banks and financial institutions is how they keep driving their growth. People and cultural change will be an extremely important ingredient to achieving this.

There are new approaches and ideas being implemented. Many of the old ways have vanished and there is a lot of focus on creating a framework where banks are more transparent and open, where people learn to be more innovative, are encouraged to be energised and adopt new forms of leadership. ■

