



Wednesday, October 1 2008  
The Spotted Cow

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## **AIM**

### **Moving On Up - Open Up**

A Special Interest Network event for those moving "up." Perhaps it is your first job as a team leader or middle manager... regardless you're now expected to think and act like a manager from day one!

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### **Welcome**

- Good evening everyone and thank you all for coming along. I'd like to thank AIM and the local Committee for inviting me and giving me the opportunity to talk about a topic that is near to my heart. Those topics are Heritage, leadership and communication with our staff.
- Before I go on though I would also like to take this opportunity to congratulate AIM for the leadership it shows by virtue of events like tonight's Moving On Up event and the Management Excellence Awards that recognize and showcase management excellence. Carolyn Barker and her team should be congratulated for holding these events. In relation to Moving on Up well done to Melissa Taylor and her team.
- As up and coming managers tonight I will be giving you my view of why I think strategic planning needs to include communication strategies and I will share some of the strategies for successful communication within an organisation.

Setting the scene and making a small pitch about Australia's largest and most successful building society - Heritage Building Society.

- As many of you will already know because I just told you, Heritage is Australia's largest building society. Not only do we have almost \$7 billion in assets but we have almost 750 staff. However most of these staff are actually located outside of our Head Office making us a geographically fragmented organisation. Not only do we have staff throughout southern Queensland, but we employ staff in Sydney, Melbourne and Adelaide.

- I love Heritage Building Society and what it represents. We are very successful on whatever measure you gauge. At \$7B in assets, we are the largest. We have excellent ratings from Standard & Poor's and Moody's. We have celebrated 9 consecutive years of record profits. We have doubled staff this decade to 750. We have won the prestigious best building society award 6 out of the last 7 years. Our member satisfaction is always above 90% and well above what those banks can achieve. We have a beautiful banking model where our customers are our owners. We have much of which to be proud.
- The reason I am highlighting some of this content is that communicating with staff who are geographically separated from the organisation is a challenge that needs due consideration and we have been successful in doing this given the organisational outcomes mentioned above.
- Before I step back in time though, I will make mention to the last year. It has been the most turbulent and the most volatile in banking history. It was only in April of last year that we produced our most recent Strategic plan. It was only four months later that the sub-prime crisis struck and the contagion effect on that crisis is probably at its worst this week. There is more of this cycle to come. I mention this part of the Heritage story to highlight the importance of an effective internal communication system. In April the Strategic Plan was prepared, the budget was approved in June and budget targets were communicated in July. Within a month we were re-visiting loan targets, funding targets, profit outcomes and business strategies. Around the middle of the year we removed several loan products, changed loan pricing and introduced tighter credit policies. We moved strategic emphasis from lending to funding. We implemented cost reductions that were in synch with our mutual philosophy. We conducted our first ever staff redundancy scheme which reduced staffing in our broker or intermediary units. We changed how we dealt with brokers. In the absence of an effective communication framework, our staff would have been wondering "what is going on?" During the most turbulent year of banking ever, Heritage managed our 9<sup>th</sup> consecutive record profit; we grew our member satisfaction, we strengthened our alliance partnerships and we reduced our staff turnover. There was a careful plan to keep all staff informed as we changed tactics to respond to market changes.

## Where we started – Now I will walk back through time

- I prepared my first Strategic Plan with the assistance of my senior executives and the Board in 2004. There was a very detailed action plan of about 100 projects and activities. The senior executive team ploughed through those strategic projects and we made Heritage a better world or so we thought. Definitely we added member channels, more branches, CRM systems, credit ratings, wholesale debt programs, new products and a variety of other good things. But we lacked in leadership. Leadership is determining a strategic or corporate vision or destination and leading all staff to that destination. I just couldn't understand it – despite all of the good things that we introduced, staff turnover started increasing until it touched 34%. When you have 34% staff turnover, service levels decrease. Costs go up and all of the good things that we introduced were tainted by not giving enough emphasis to the staff elements. It is our high levels of customer service that allows Heritage to differentiate from the competition. So staff turnover was a worry.
- In 2006, Heritage undertook the first Organisational Effectiveness Survey (OES) and while there were some positive results they weren't all pleasing.
- In Heritage's 2006 Organisational Effectiveness Survey (OES) staff rated internal communication one rung from the bottom, above only remuneration (communication effectiveness 51% favourable).
- It was obvious that the staff piece of strategy was not being given the emphasis that it should. Don't get me wrong – that first strategic plan had a segment on making Heritage an Employer of Choice but it dealt with what I call the hygiene factors of HR management – pay, accommodation adequacy of resources.

## Research on Communication and Performance

- The 2003/2004 Watson Wyatt Communication ROI Study™ demonstrated a correlation between communication effectiveness, organisational turnover and financial performance.
- A further Watson Wyatt study conducted in 2005/2006 confirmed these findings and went one step further, by showing that effective communication is a leading indicator of an organisation's financial performance.

- Companies that communicate effectively have a 19.4% higher market premium than companies that do not. Shareholder returns for organizations with the most effective communication were over 57% higher over the last five years (2000-2004) than were returns for firms with less effective communication. Firms that communicate effectively are 4.5 times more likely to report high levels of employee engagement versus firms that communicate less effectively. Companies that are highly effective communicators are 20% more likely to report lower turnover rates than their peers.
- So for Heritage to continue to be a successful organisation it was important for us to improve our communication with our staff. Now this doesn't just involve newsletters, it goes beyond that by providing staff with a range of communication channels that facilitate communication of information that is relevant to each staff group in all directions throughout the organisation – up, down and across.

#### How Heritage is different

- As some of you may be aware Heritage has a philosophy of putting *People first*.
- We apply this philosophy not only externally to our members but internally to our staff as well.
- Communicating to them their importance, their role and the part they play in the success of our organisation is key. Communication with and between staff is an integral element in both developing and if so desired, changing the culture of an organisation.
- This must be done over time. It is not a one off message. It needs to be planned and reinforced with examples provided along the way to demonstrate the connection between saying and doing.
- As a mutual, Heritage is different to listed financial institutions. Our organisation is based on a service and value proposition and ensuring that our staff understand and deliver on this to our members is critical to the Society's success.

#### Strategically aligning the organisation

- Amongst other objectives, Heritage's strategic plan including both financial performance and staff retention as key objectives. Effective internal communications supports the achievement of these objectives.
- For any business strategy to be successful it is imperative that staff understand the business principles behind the strategy, the role they play and that the strategy has meaning for them in their role.

- Now I am going to try something and if it fails I am going to fall flat on my face. For the Heritage staffers here tonight our Vision is to? (*be a superior financial services provider*). Our brand or our culture is summed up by two words? (*People first*). Our three primary values are? (*Integrity, Excellence and Community*). We have three strands of strategic objectives. The one dealing with staff is making Heritage? (*A Great Place to Work*).
- To achieve this strategic alignment, the strategy needs to be communicated and communicated clearly to all staff through a range of channels.
- At Heritage we have been able to achieve this using:-
  - Face to face communication through a range of face to face communications backed up with electronic and paper based reinforcement of strategic, how we are going and what's coming along in the future.
  - These communications have been supported with a range of supplementary materials including collateral and promotional items. Mouse pad and poster. Each of these articles shows the inverted pyramid that represents our corporate strategy. It is a simple message format that all staff can understand and see every day.
  - The key to the success is in ensuring consistency in message – both in tone and the detail that is delivered via each medium at each level, to achieve the link between strategy, communication and leadership.
  - The process that we have introduced is called strategic alignment. Staff know our strategies, our vision, our values. They know that their job is meaningful in the context of our strategic plan. It is all hard work but it is fundamental to optimising our corporate performance.

### Where we are now

- In 2008, the Society conducted another OES.
- The results were particularly pleasing. Results Highlights include:
  - Communication Effectiveness - 70% (19% improvement since 2006)
  - Organisational Cohesion - 73% (14% improvement since 2006)
  - Training Access & Effectiveness - 64% (12% improvement since 2006)
  - Remuneration & Benefits - 46% (8% improvement since 2006)

- Improvements to internal communication can consequently be seen as a strategic imperative.
- Good internal communication complements external communication systems. As a result, all staff understand and are able to communicate the organisation's key priorities and vision and their role in it, making work more meaningful.
- I added responsibilities to my Manager Public Relations (without any extra pay). She is now responsible for both external as well as internal communications. By having someone with these internal responsibilities Elissa my PR Manager can ensure that the framework for keeping staff up to date is working. She can ensure consistency in any messages that we feel are important for staff to understand.
- Strategy communication is part of Heritage's Induction course.
- You can never have too much communication – now this is what we do at Heritage:
  - Roadshows – presentation on Intranet as well - we do strategy / staff roadshows twice a year. We've just finished a series of 14 roadshows at different locations around Australia. We even had several senior executives go to remote branches and deliver the presentation so all staff have an opportunity to hear the message and provide feedback.
  - HR Roadshows – there will be two HR roadshows this year talking and listening to staff about specific HR issues – staff benefits and training / certificate / diploma courses to be offered to staff
  - Monthly Branch Manager Meetings
  - Periodic Supervisor Meetings
  - Retail Conference – where almost 200 Retail and other staff meet and hear the corporate strategy converted into retail strategy
  - Working for People First Conferences – we held our first leadership conference last November and the second is being planned for this November. The strategic message is reinforced behind specific message – this year it's about teamwork and corporate performance
  - Two Monthly Senior Manager Meetings
  - Weekly Departmental Meetings
  - CEO Connection lunches – I have 4-5 lunches per year where I invite staff to have lunch with me and give me feedback, suggestions and criticisms. I take my CEO hat off and listen to my staff.
  - CEO email – a confidential email address where staff can confidentially provide feedback

- SEG Branch visits – each senior executive is required to visit a series of branches, speak with staff and members and pick up information at the coalface.
- Fortnightly e Touch Newsletter – with CEO Message
- Bi-monthly In Touch Magazine to staff
- Intranet
- Formalised email communication
- There is a significant investment in staff communication
- Communication is two-way
  - Using staff feedback Intranet – continuous improvement, innovation. We have asked staff to provide suggestions for improvement in relation to member service, continuous improvement and staff conditions. It’s all about listening to staff and making Heritage “Easy to Do Business With”
- Community Value – Building Community – community is our third value and an important part of our business. Our staff are hearing this message and are heavily and personally involved in community activities. The list below are just examples:-
  - Relay for Life (over 100 staff and family raising awareness and funds for cancer research), Peak to Park (an event where staff are encouraged to participate for cancer), Beat the Boss – 70 staff participate to beat the boss and raise funds for the Endeavour Foundation), Brisbane City Romp where 75 staff participated in a “hunt” event and raised funds for the Burnett Institute (cancer research); we have many regular morning teas (Cancer Council, Prostate Cancer research and awareness), Red Cross Corporate Challenge; HR team – Meals on Wheels where a team of HR staff assist on a weekly basis.

### Your toolkit

As you are all emerging managers, I thought it was important for you to leave tonight with a range of practical tips which I have packaged together as a ‘communication toolkit’.

#### 1. Protect basic communication

Don’t let communication get hijacked by hype, especially surrounding technology. It’s still about connecting people with business-critical information.

#### 2. Build trust

The contrast between corporate strategy and operational reality can be stark. As a manager you need to close these gaps and work hard to build trust, so ask questions and use their input.

### 3. Develop an integrated strategy

This is what we have done at Heritage. Make information readily accessible to your staff and plan for communication stress points. Also make sure that you are being consistent with messages. Use a Gatekeeper if necessary. That's what I use my Manager PR for.

### 4. Target/filter communication

Your staff spend most of their time doing the operational aspects of their job so getting messages through to them can be a challenge. Corporate, product-led and departmental information will all vie for employees' headspace, so you'll need to filter their inbound communication and strip out unnecessary messages. Ask yourself what is most relevant to my staff? What's in it for them? Or how will this information effects their jobs?

### 5. Use face-to-face whenever possible

At organisations like Heritage this may not be easy, but it does pay dividends. At Heritage we hold regular staff roadshows. Focus on explaining practical information and getting feedback.

### 6. Let technology meet the need for speed

Tools like the intranet and e-mail can get key messages to the staff quickly, where they can be supported by local messages but you need to ensure equity of these tools for all staff. For example, Heritage uses the intranet and e-mail to send out a fortnightly newsletter to all staff; this 'big picture' is then used by managers as a basis for local face-to-face sessions.

### 7. Reach beyond the desktop

Many staff either don't have access to a desktop PC, or spend their desk-time speaking to customers. Consider other ways to give them information, such as central intranet access, regular access to face to face sessions and printed newsletters that can stand alone or be supported by local messages.

### 8. Encourage dialogue

Communication with the staff should be two-way. Use valuable team or briefing sessions to find out more about your staff's issues. Encourage networking and community development and provide facilities such as blogs and notice boards.

## **Conclusion**

As the CEO of Australia's largest and most geographically diverse building society, staff communication is our key strategy. None of the operational strategies dreamed up by the executive team will work or work to the maximum extent if they are not explained to the people who are the eyes and ears and arms and legs of our organisation. Leadership is about creating strategy and moving the entire workforce to the strategic destination or vision. Communication is not only the most important ingredient of strategic success, it allows staff to have stewardship or ownership of those strategies. It allows them to believe in the strategies and make them as effective as possible.

Thank you  
Ends

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