



**JOHN
MCFARLANE**
CEO, ANZ BANK

With roughly another three years of his employment contract to go, chief executive John McFarlane believes he's going to need every minute of it to bring about the massive culture change he began when he took over the reins some six years ago. Coming from a UK banking environment, the Scottish-born executive was accustomed to working with senior women in the previous divisions he'd led; he was subsequently surprised to find a lack of women in leadership positions when he joined the ANZ. Faced with a workforce of 22,000 that was 60 per cent female, McFarlane has driven a range of initiatives aimed at achieving ambitious female ratio targets within the bank. And while he doesn't feel the gender mix is right yet - "it's going to take time" - the statistics have improved significantly during his tenure.

“When I first came to ANZ, there were no women in the top management team. You didn’t need a PhD to work out something was wrong. I’m not a champion of women; I’m a champion of people. But having said that, I do believe you have to intervene on behalf of women. Why? Because if you do nothing, nothing changes. The work environment is not pitched in favour of women; one has to pro-actively speak out, take action and initiate programs to ensure women are operating on a level playing field.

“In recruitment, for example, women are automatically disadvantaged. For a start, men are biased towards men in their recruitment. They tend to be more comfortable with men – and so they naturally pick men on their teams. Studies have shown that men recruit 90/10 in favour of men – while women tend to show no gender bias in their recruitment decisions and typically recruit 50/50.

“I also believe women get in the way of their own advancement. Many don’t wish to be singled out, believing targets make their appointments seem tokenistic. When I insisted shortly after my arrival that every shortlist for senior jobs include at least one potential female candidate, I was not popular with anyone – least of all women. It’s my experience that women want to rise to the top on their own merits. What they don’t realize is that this won’t happen without pro-active action because the processes and environment do not support them

“Men and women’s different communication styles are another issue. Language for men tends to be direct and authoritative, whereas women tend to communicate in

a more consultative manner, engaging feedback. As a consequence, men often see women as 'weaker', 'softer' and not as substantial. Even though this is simply a style difference, the perception can hold them back. A mix of men increasing their understanding, and women adapting their communication styles, would go a long way to improve the situation.

"Not every appointment is successful either. This applies as equally to women as it does to men. Women fit into a normal curve distribution and, as with any appointment, there is the bottom 20 per cent that doesn't work out that well. But it's much more difficult to address in the case of a woman; the whole agenda for women goes backwards for months. Inevitably this makes senior managers (usually men) less inclined to take a risk on women, which in turn reduces women's capacity for advancement.

"I also find that in the middle management tier of a large company such as ours that a bureaucratic, 'blokey' culture can proliferate if left unchecked. That's why I reduced the bank's management layers by half (from 12 to six) when I took over the reins. Now there aren't enough managers to invade another individual's space and we are reversing the trend in the bank of 'over-managing' and 'under-leading'. This can only be a good thing.

"Then there's the issue of life balance. There's no doubt that the impact of having children and wanting to work flexibly limits women's choices in their career. My approach has been to turn the question of life balance on its head and encourage everyone in the company,

male or female, to stop squeezing life around their work – and instead to ‘get a life’ and squeeze work around their life. Our response to our customers’ call for Saturday trading, for example, is not to expect existing staff to work longer hours, but simply to hire more staff.

“For example, we have had people who have returned from parental leave, most of which are women, to senior roles. Both the employee and their line manager have designed a return to work process that involves redesigning the role so that it ‘fits’ not only the employee’s needs, but also the needs of the business.

“Similarly, our new initiative, Lifestyle Leave, is aimed at continuing the development of a culture in which people’s differences are valued and supported through flexibility and lifestyle choice. Lifestyle Leave provides employees with the opportunity to take up to four weeks’ additional leave, on top of their existing annual leave entitlements, for any purpose including family responsibilities, travel or study.

“Lifestyle Leave can be spread across the financial year and can be taken in blocks or as one continuous period. To date, 129 employees have taken up the offer for the 2003/04 financial year. Thus the Lifestyle Leave option provides yet another way for our people to balance their work and life commitments.

“If you want to get women into senior management, however, you cannot leave it to natural processes. It will only happen naturally if there is a critical mass of women at the top. Currently, across our six management layers, the figures are gradually improving – but we still haven’t achieved enough. We did a gender

study about two years ago in the predominantly female Personal Banking and Wealth Management division, for example, to look at ways to increase the number of women in senior line roles.

"The study showed that six out of 10 women cited lack of part-time or job-share career options as the reason for leaving. Overall, the women indicated that they did not feel they had the same career opportunities as men, and both women *and* men in the section reported that they would like to see more women in critical business roles. These results were another 'wake-up call' for us to improve our female representation in the bank.

"I am very vocal about managers developing and promoting women wherever possible. When I'm asked to speak at women's conferences, for example, I prefer my female colleagues to go and represent me. I've got a big enough profile; I want others to see that there are women at the top in this bank.

"And I'm no softie on the subject - I can get really upset with staff who aren't heeding the message. I say to my managers, 'I've instigated a policy that all job interview shortlists *must* include one woman; I also insist that there be one person from another department on the shortlist'. Why? Because I believe most managers are not only biased against women, they're biased against workers from outside their department or area; and they're biased against older workers.

"We've set targets for women across the board - currently 32 per cent of all managers are female, up seven per cent from last year alone, while 22 per cent of senior managers are women. The higher you go, the

smaller the percentages: of our top 300 executives, approximately 60 (or 20%) are female. Of our top 100 employees, 9.5 per cent are female. We have made improvements. For example, six years ago, women made up 19.4 per cent of managers, 10.1 per cent of senior management, 4.6 per cent of executive managers and only 2.6 per cent of senior executive management.

"We only have one woman in 12 on our management board, Elizabeth Proust, Managing Director of Esanda, who is probably our company's most powerful female figurehead. She runs the Women Leaders in Business conferences which we have actively been supporting since they were launched in 2001; this is another way the bank provides role models for other women.

"Anyone who knows Elizabeth will know that there's nothing 'token' about her appointment; Elizabeth got there on merit and her appointment sent out a powerful message that women can reach the very top in the banking world. Similarly, while Margaret Jackson is the only woman on our eight-person non-executive board, there is nothing symbolic about her appointment either.

"But our bank's figures with regard to female representation still fall short of our targets - and that is why we have a strong focus on our graduate program and on career development within the company. Our graduate intake varies each year, but on average 30 to 40 per cent of our intake has been female. We would like this to improve to 50/50.

"We survey our female graduates to understand what attracted them to ANZ. We also ask them what is it they expect from ANZ, both in terms of career progression,

opportunities and life balance. In 2003, we conducted women in banking lectures at 14 universities across Australia with representatives of our senior management and current graduates.

"We are certainly seeing a huge rise in interest from people wanting to work at ANZ - in 2002, we recruited 225 from 3,500 applicants; this year, we had 10,000 graduate applications from which to choose.

"To me this is a sign that we are highly regarded as a company, not only in the eyes of the shareholders, but in the eyes of the public as well. Internally too, we're doing okay. Staff satisfaction surveys were in the 40th percentile when I started; now they're at 80 per cent-plus. That keeps me going, *that* makes me think we're on the right track.

"We also take the top performers of our graduates, managers, senior managers, executives and senior executives and classify these people as our 'high potential talent pool'. With roughly one in three of these employees female, the talent pool is groomed for a number of leadership positions at manager, senior manager and executive levels. We first launched the program in 1999 and about one-third of the pool on average has been promoted every year.

"I personally oversee the program and encourage promotion of female achievers wherever possible. Jennifer Evans, our Chief Operating Officer in Group Risk and Mandy Rashleigh, the Acting Head of Cash Management and Transaction Services, are examples of the program's success to date.

"I like to keep in touch with what employees of the bank are thinking. Anyone at the bank can speak to me directly by email. I read all my emails and respond personally to all of them. Typically, most employees keep their correspondence with me for appropriate business, but I do hear from employees who need answers to questions, or who have serious grievances. It takes up a lot of my time - but it keeps my finger on the pulse.

"To assist staff manage their work and their life, I expect ANZ to require only what is reasonable from staff. I tell staff to work 'smarter, not harder' and to 'bring the whole person to work'. I truly believe your work and your life should not be incongruous with one another.

"And as a company, of course, we encourage flexibility, especially for those women who have career aspirations while simultaneously raising a family. There are many examples in our company of brilliant job-share matches and many part-time workers. For example, about 85 per cent of our part-time workforce is female.

"We have a live job share register that people can enter their details on for locating others who wish to job share. This is operated via our intranet 'Max'. The site also contains a reference guide and tips for potential job sharers and their managers. We also provide flexible working hours and compressed workweeks. Both the employee and his/her line manager determine these arrangements.

"A good example is Linda Dewar who is the bank's most senior project manager. She recently completed a \$120-million telling platform project for the bank working

four days a week. For her, working part-time did not stop her from running and managing a project of vital importance to the bank. The flexibility doesn't stop at manager level; we're currently trialling a flexible workweek for front-line staff too.

"We facilitate women who have children to return to work, we try to meet their aspirations and their preferences and in this regard we currently offer six weeks' paid parental leave. We made some policy changes too that allow parents to take simultaneous parental leave should they wish. We also provide one weeks' paid leave to the non-primary caregiver at the time of the birth, or at the placement of an adopted child. We also offer a part time work for childcare policy, whereby parents can return to work part time up until the child's fifth birthday.

"I don't believe we can afford *not* to advance women, nor do I feel the need to quantify or justify my approach to women to the Board or shareholders. I just do it. I have communicated to Board members, however, that they need more female representation themselves.

"When will we know we've achieved everything we set out to achieve? Not in a long while! You can turn around a company financially in nine to 10 years (and that's how long I've got), but a complete culture change is a challenge. It's a long, hard slog sometimes. I will know that we've done a good job advancing women when we've created an internal market for jobs where there are no barriers for women; and when we can accommodate all our employees' preferences and life choices.

"The bottom line is that people make great companies. Increasing the energy in our people is the force that

makes us great. Our failure to use the unique capabilities and strengths of women in senior management is a lost opportunity of immense proportion. It is born of inertia.

"We should cut through the tradition and rhetoric of our current paradigm and create a very different type of organisation. We must take the risk, because there is none. With specific targets and by fast-tracking potential, and with me continually banging on about it, I guarantee you that in 10 years' time we *will* have many more women in senior positions.

ANZ's McFarlane believes that change in an organisation has to start at the top. He realised that the bank as it was when he took over was bad for women – and hence bad for business – and he decided from the outset to create the kind of company where women would be fairly treated and want to stay. He then set about changing the culture his way, putting his own strong idiosyncratic style and the power of that style behind workplace diversity. By so doing, he proved a committed CEO can and will reinvent the organization.

MARGOT CAIRNES

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The strategy advocated by John McFarlane shows promise for the ANZ to become a leader in the banking industry. What is particularly striking about his approach is the emphasis on changing the culture – by being pro-active and challenging traditional assumptions about women and men; on transforming key organisational systems such as the bank's approach to recruiting; being prepared to re-design jobs; and reframing the discourse about work and life.

GRAEME RUSSELL

CASE STUDY BANKING/ANZ BANK

CHALLENGES

- To increase the number of women in management and above levels
- To attract female talent
- To develop and retain women leaders.

ACTIONS

- CEO-led, company commitment to 20 per cent representation of women at executive levels by the end of 2005
- CEO push for at least one woman and one person from outside the recruiting business unit on every position short-list
- Internal study conducted on executive recruitment and retention practices
- Targeted marketing and maintenance of strong ANZ presence at Graduate Career Fairs
- Women in banking lectures conducted at universities around Australia by senior ANZ women and ANZ graduate recruits
- Internal study conducted of ANZ female graduate recruits to understand and refine attraction and recruitment strategies
- Sponsorship of the EOWA Australian Women in Leadership Census and Ladies Masters of Business Conference
- Targeting of senior successful executive women in the marketplace

- Talent pipeline built and tracked at graduate, management, senior management, executive and senior executive levels
- Tracking system developed to assess female and male progression and career development
- A six-month transformational women's program designed and piloted to empower women in their roles while providing networking opportunities.

OUTCOMES

- Clearer understanding of what graduates are looking for in ANZ as an employer
- Women at executive levels increased to 16.6 per cent, up from 15.2 per cent in 2002 and 11.5 per cent in 2000
- Female applicants for graduate positions increased to 50 per cent of the total intake, up 10 per cent from 2002
- Female employees' job satisfaction increased to 83 per cent in 2003, up from 77 per cent in 2002
- ANZ recognised as an 'EOWA Employer of Choice for Women'
- Increased female opportunities, training and development.