

ANZ's EMPLOYEE ENGAGEMENT SCORES

..... and interview with Shane Freeman HR director ANZ Group

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ANZ's employee engagement scores are the highest in the top twenty of all the ASX listed companies. This being the case, how is ANZ investing in its employees to produce such an outstanding result? David Mason-Jones discovers the mix of attitudes and programs that place the company in such an enviable position.

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High staff engagement survey results

With a staff engagement level 6% above the financial services benchmark, the investment ANZ is making in its employees should become a reference point for HR directors seeking to lift staff engagement. Not only is the company above the benchmark, its staff engagement results place it as the front runner in the top 20 companies on the Australian Stock Exchange.

Before proceeding, a matter of definition is required to distinguish between the concepts of staff satisfaction and staff engagement. Staff satisfaction is usually an internal measure of the staff's satisfaction that the terms and conditions of their employment are in line with what was promised. It is not unusual for staff satisfaction to be very high in a well run organisation. Staff engagement is different and is a much harder test. Not only does it measure whether employees are satisfied with their conditions, it measures whether staff are committed to the mission of the company. It uses deeper questions like ‘Would you recommend your friends to work here?’. Staff engagement is more about measuring the level of evangelical zeal within the company. The most rigorous staff engagement surveys are conducted externally.

The 2005 survey, conducted externally by Hewitt Associates shows that 60% of ANZ people consider themselves to be fully engaged. This is up from the pilot survey scores of 53% in 2003 and 58% in March 2004. Organisations with engagement levels like this typically achieve higher levels of financial performance and customer satisfaction than

those with fewer engaged people. ANZ's staff satisfaction level – the easier bar to reach – was even higher, 85%, as measured in the survey of 2004.

The context

To put this into context, recently released figures by NAB (August 2005) indicate the NAB's employee engagement level at just 35%. This is level with their last measure in 2003. In the same pattern as found in ANZ, NAB's staff satisfaction level – the easier bar to reach – is 71%

It is also a matter of context that many public companies in Australia and New Zealand do not publish their staff engagement results.

There is no magical HR management program which, by itself, explains the quality of ANZ's result. Rather, the result comes from a matrix of measures which all combine to produce the desired effect. Some of these go back to intangible philosophies and ways of treating people. Others are found in ANZ's formal investment in programs and structures which lead to high levels of staff engagement.

It is hard, also, to look at the success of ANZ in the field without also looking at the director who has overseen ANZ's HR activities in the past few years – Shane Freeman the group general manager, people capital. See side box.

Negotiating interests not positions

Underpinning the HR investment at ANZ is the proposition that staff and the management should negotiate HR matters based in their respective interests rather than negotiating based simply on positions.

In this matter, the career experiences of HR director Shane Freeman become important. Freeman cut his career teeth in the highly confrontational meat processing and oil industries in the late 1970's and early 80's. The style of industrial relations bargaining was based on the options-limiting systems of positional bargaining. Under this concept there is the process of claim and counter claim. The claim might be 'We want a 35 hour week' The positional response to this might be, 'No, nothing less than 40 hours'. But this process only locks the parties into bargaining about the number of hours.

But positional bargaining hides the true interests of the parties, 'What is your interest in this? What is my interest?'

Freeman says: "When the true interests of the negotiating parties are discussed it opens up a far greater solutions space than before. I have found it is a productive way to gain sustainable solutions and it is a central feature with the way we talk with our staff at ANZ.

"The whole point is to work on interests rather than positions," says Freeman.

Getting the balance right – talent versus the ordinary employee

HR directors everywhere can be placed in a dilemma when planning the investment in employees. The question is; “What emphasis should be given to investing in the top talent as against the resources to be invested in the ordinary employees”.

Current popular HR theory leans to an emphasis on investing in talent and the belief that this investment will then trickle down to the average employee. But the weakness of this strategy is that it can be like an army in which vast investment has been made in producing the best generals only to find that the soldiers themselves cannot or will not fight. A wrong balance the other way leads to the reverse – good soldiers poorly led.

The secret for a winning combination is balance – where the talent is developed but this is not at the expense of ignoring the average employee who gets the job done. This applies to a public company as much as it applies to an army in battle.

Within the spectrum of Australian public companies at the moment, ANZ appears to have struck the correct balance between investing purely in talent and investing purely in the average employee.

Breakout program

One outstanding feature of the ANZ’s people investment is the Breakout program which is run for every employee across all business units. This program has been in place since 2000 and has the aim of creating a culture to make a difference.

Breakout is a high performance, values driven, culture changing program. It runs over a 2-3 day period and the aim is to give the employees and managers the time and tools to think down deeper about what it is that motivates them and other stake holders. The program includes workshops to help staff apply values-based decision-making and effectively balance the competing needs of staff, shareholders, customers and the community in their roles and activities.

Freeman says: “Since 2000 we have put 18,000 of our staff through the breakout program.”

One external observer comments: “The whole breakout program is having a massive effect at ANZ. It really results in employees who are more in tune with their own motivations than was previously the case.”

Breakout helps improve employee engagement by dismantling the ‘square peg, round hole’ syndrome. As employees enter a career they often find that they become diverted from their main personal objectives by the allure of the career itself. They become trapped into seeking career positions and advancement in areas which they may not really desire in their heart of hearts. If people have been through the process of introversion facilitated by Breakout, they can more closely identify whether they are square pegs or round pegs and whether the opportunities set before them are square holes or round holes. By knowing they have the power to make choices they are more likely to make choices that really befit their deepest motivations.

The investment in Breakout is ongoing and the ANZ is refreshing the program all the time.

Investment in the graduate program

At the same time there is no lack of commitment to investing in attracting top talent. ANZ's ongoing graduate program is an example of this. ANZ has been recruiting graduates for over 20 years, though in past years the program and intake has developed dramatically - for example in 1999 the company recruited 60 graduates and this has increased to around 240 for 2006 across Australia and New Zealand.

Freeman says: "We will continue to take this level of graduates because it gives us the ongoing skills and talent pipeline into the organisation."

The graduate program generally lasts 12 months - though for some departments it is 18 months in duration. Generally graduates will rotate jobs at least once throughout their time in the program. The rotation scheme enables graduates to develop a broad skill set and have a better understanding of the business.

It is unlikely that the level of this intake would vary considerably with, say, a downturn in the short term economic circumstances. The investment in graduate talent in this way is a strategy with a long term horizon for its return on investment.

Freeman says: "We have a high level commitment from senior executives including the CEO to this orientation program."

Identifying leadership

Investment in leadership of talented staff starts with the recognition and identification of leadership potential within the junior management stream.

Freeman says: "We have an leader identification program called the emerging leader radar talent program which is designed to assess people at management level. This is run by a talent council consisting of line managers and HR managers. The idea is to identify and develop leaders at the earliest stage and developing this potential."

The emerging leader radar was established in 2003.

"At a more senior level we have, since 2003, invested in a rigorous leadership development program titled 'Lead'," says Freeman. "In this we make an assessment of a smaller group of executives to head one of our top 30 roles within ANZ.

"Then, at the elite level, we have the CEO working with the top management echelon constituting the direct reports. Within this top level, two people days are organised per year in which this top level talent group interact intensively on issues such as succession planning.," he says.

Communicating with the individual

The company recognises there is no point in developing leadership in the elite group unless the vision held by the leaders can be translated into action by the people who are in day to day contact with the clients and customers.

Freeman says: “It is necessary to be able to individualise this:- provide clear direction, help people gain the capability to perform and provide an environment where they say, ‘I want to perform’”.

Freeman says: “Then we invest time and effort to communicate with individuals where their roles fit within the work team in which they are working on a daily basis. Next is the need to communicate where their team fits within the division and, finally, individuals need to understand where their division fits within the entire organisation.”

Once an employee understands where their effort fits into the whole, they have to be able to say “yes” to the question of engagement. The bank then strives to make sure they have the capabilities to perform in the role.

ANZ Careers

Rather than outsourcing all responsibility for recruiting ANZ has taken a large responsibility for recruiting back in-house with the formation of ANZ Careers. The company has formed a partnership with Alexander Mann Solutions to bring about a recruitment process outsourcing (RPO) solution where the bank itself retains a much higher degree of control over the recruitment function. This investment in the RPO solution means that the effectiveness of internal recruiting is also lifted as well as the effectiveness of external recruiting.

Freeman says: “ANZ Careers was started in 2003 and we are seeing the positive results of this move very early in its establishment.”

Getting the benefits and conditions settings right

The terms of salary and other conditions at ANZ are monitored with respect to industry benchmarks to ensure that salary dissatisfaction does not become a reason for people to become disengaged. In the past two years ANZ has provided its employees with pay rises in excess of the inflation rate. But, beyond this, ANZ has invested in practical programs to increase staff engagement.

A simple example is the company’s program of heavily subsidising computers and internet access from the homes of managers and staff. This performs a self paced learning role for internet awareness and also means that staff can work from home when they need to. It also creates a collateral benefit that staff are likely to do their private emailing from home rather than from work.

Other significant employee investment includes health checks for all staff and the creation of a parent-friendly workplace.

Freeman says: “We led industry paid parental leave to 12 weeks with no qualifying periods and have paid co-parenting leave.”

Conclusion

ANZ’s investment in its employees has been on a broad front with a balance between the idea of concentrating on a narrow scope of talent development and the idea of lifting the engagement of the broad workforce. The results, showing staff engagement of double the level of one of its main competitors, show that the broad approach lifts the whole organisation not just the members of the talent pool.

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BRIEF BIO OF ANZ’s SHANE FREEMAN

Shane Freeman joined ANZ in August 2001 as Group General Manager, People Capital. He is responsible for ANZ's strategic human resources function, concerned with overseeing its people agenda and building its intellectual capital. This includes the major practice areas of leadership, talent and training, performance and rewards, and employee relations.

Before joining ANZ, Shane worked at Mobil Oil in both Australia and the United States in a variety of roles, including manager of labour relations, manager of organisational development for the Marketing and Refining Group, manager human resources for Mobil Chemical Company and director corporate services. He then worked at National Australia Bank as general manager, global HR shared services. Most recently Shane worked at BHP as global practice leader, organisational effectiveness.

Shane holds a Bachelor of Behavioural Science, majoring in psychology, from La Trobe University.

Key Dates

August 2001 Joined ANZ as Group General Manager People Capital

January 2000 Joined BHP, Global Practice Leader, Organisational Effectiveness

1997 Joined NAB, General Manager Global HR Shared Services

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A QUESTION AND ANSWER SESSION WITH SHANE FREEMAN.

HC: Following university, what was your first job?

Freeman: I worked with the international meat processing company Thomas Borthwick and Sons as an industrial relations research officer. This started at the age of 22. In that role I was the chief ‘dogs body’ and chief ‘bag boy’. I had a very tough boss and I worked in that role for three years. Subsequently I worked in the oil industry in Mobil in

1980. This was a highly charged IR relationship at the time and the balance of power was with the unions.

I was good at saying “No”. I had the ability to run a confrontational argument. My supervisors thought this was good and I was given some more serious roles.

HC: What were the lessons you learnt in your first jobs?

Freeman: I learnt how to deal with conflict. It was often very raw form of conflict. After a time, however, I saw the need to learn how to diffuse the conflict.

HC: How did you learn to diffuse conflict?

Freeman: It was quite by accident that I came across the book, ‘Getting to Yes’ by Roger Fisher, William Ury and Bruce Patton. This book opened my mind to an effective model for getting to ‘Yes’. It opened me to the idea of interest bargaining rather than positional bargaining.

HC: Have you had a role model in business?

Freeman: I’ve certainly had some extraordinary bosses. For most people in a career it’s just two or three bosses who are really influential. I have had three. And when I’m stuck and pondering different solutions to a management challenge, I often ask myself what my three influential managers would do given the same situation. I have admired their judgement and behavior and the way they are interested in people.

HC: What is your main challenge in your current role?

Freeman: It is to get sustainable high performance for the organisation and do it in a way that is much better than the competitors. Our overriding HR issue at the moment is how to create a fundamentally different corporation in terms of the experience for our customers, our shareholders and our people.

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