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Topic: Leadership - key challenges and learnings

I am delighted to be asked along to speak today about leadership and what I have learned in over 40 years of banking and business.

It's an interesting time to speak about leadership. The current global financial instability means leadership is more important than ever. And some would say, more challenging than ever before. It's in economic environments like that of today where leaders really earn their stripes. Leading employees in a bullish market, where each year is another record profit and everyone – shareholders, customers, employees, analysts, government – is happy, is comparatively easy.

But leading employees during a time of downsizing, cutbacks, dramatic change and uncertainty, is a far harder task. And it's in this environment where leaders can truly shine.

There's an old Latin saying that sums it up beautifully – "Anyone can hold the helm, while the sea is calm".

Leadership is often spoken about, but still rarely understood.

Like nature versus nurture, the debate over whether leaders are born or made continues.

Are leaders like Alexander the Great or John F Kennedy born great? Some would say their success make it obvious that leadership is in the genes, but then what of Napoleon and even John Howard, who became significant leaders in their own countries and times without the benefit of obvious leadership genes.

As in all these debates, the answer often lies in the simplistic premise that both are right, and both are wrong.

Look at the millions over time who have been born into leadership but yet have failed when finally handed the mantle. And how many stories, particularly in the Western world, are there of the self-made person who has clawed their way up to the top from humble beginnings.

So, as requested, today I will speak about my journey to a leadership position in Queensland business and Australian banking, and hopefully draw some experience which will benefit you in the future.

In the case of business, leadership comes in two forms. There is personal leadership, and there is market leadership.

The two are, in my opinion, strongly linked.

Without strong leadership and a vision of what needs to be achieved, a business will not be successful, regardless of how good its product or service is.

True leadership does not come from some obscure genetic code or the number of self-help books you have read, it comes from setting the vision and bringing others with you in attaining that vision.

It's about people, not products.

Former Chairman of the US Joint Chiefs of Staff Colin Powell sums it up well. He says:

“The day soldiers stop bringing you their problems is the day you have stopped leading them. They have either lost confidence that you can help them, or concluded that you do not care. Either case is a failure of leadership.”

Powell goes on to say that most CEOs fail in this litmus test of leadership.

He says most CEOs, and I quote, *“build so many barriers to upward communication that the very idea of someone lower in the hierarchy looking up to the leader for help is ludicrous.”*

I couldn't agree more.

One of the keys to leadership in a challenger organisation like Bank of Queensland is in fostering a culture where all share the rewards when we succeed, and the blame, if things go wrong.

It also comes from fostering a culture where no-one is too elite or too far from the trenches, that they are out of touch with the challenges facing those on the front line.

With an organisation the size of Bank of Queensland, I still find it possible to remain in touch with those employees who are our face to the customer.

I undertake regular branch visits where I act as a rather inept teller – giving me the chance to talk with the branch staff, while also meeting customers, who often question me on why I am still a teller at my age.

I also run a staff hotline once a month where people from anywhere in the organisation can phone me and raise any topic, and I mean any topic, they wish.

So, while I occasionally hear about broken chairs and why the biscuits in the tea room aren't Tim Tams, I also hear about some fundamental problems with

products or pricings from those who spend each and every day dealing with the customers.

I also hold staff focus groups, where I meet with a cross section of staff from across the organisation over sandwiches and conduct an open forum where they can raise any topic they wish and speak frankly.

Now, I can imagine many of you here saying; “well, sure they do!” But, if you develop a culture of openness, then your staff will actually be open with you.

Leadership is not just setting the vision, it is taking ownership for it – for its failures as readily as its successes.

It is reinforced by another favourite quote of mine on leadership: *“When the ship misses the harbour, seldom is it the fault of the harbour.”*

Take responsibility. Own your decisions. This brings accountability and transparency to your leadership so that both internal audiences, like your staff, and external audiences, like analysts or the media, trust and believe what you say.

In other words, say what you are going to do, and then do it.

This statement sounds simplistic, but it is amazing how effective you can be when you stick to this simple premise.

So, say what you are going to do, and then do it. In that way you build trust amongst your own team. You build certainty amongst your employees, and you build understanding amongst shareholders, analysts, journalists and other stakeholders who impact upon the value, and the performance, of your company.

And it is doubly important to retain your transparency in the bad times too.

It is all too easy to be transparent where all your news is good news. The more difficult task is retaining your transparency when times are tougher - when the entire global banking system is in disarray and you are the CEO of a regional Australian bank, under increased funding pressure and facing anti-competitive government pricing measures, for example.

It may sound like PR spin, but the issue we face at the moment is finding the balance between building shareholder value and offering our customers a real alternative to the major banks.

In the past, we have been able to build a business where the interests of shareholders and those of consumers are complementary.

What we face at the moment is a situation where the funding costs are higher for regional banks than for the four majors, and in this marketplace the government are now charging regional banks more for their wholesale funding guarantee.

I can't see how it can be anything other than anti-competitive to sting the regional banks more for the funding guarantee when they are already paying more for their funding. It has created a very uneven playing field, and making it difficult for regional banks like BOQ to build shareholder value at the same time we remain a competitive offering for our customers.

To my way of thinking the last issue on the Government's agenda is competition in the Australian banking system. They want stability for the 'big four' and in my view don't really care if the rest of the banking players disappear. I assure you it is my very clear intention to ensure BOQ continues to be a real alternative to the 'big 4' in Australia.

We still want to be a 'big small bank', and not a 'small big bank'. We still want to offer Australian consumers, and shareholders, an alternative in banking.

And to do so we need to look at the way we do business. We need to re-assess everything we do – do we need to do that, could we do it better, can we streamline that process, drive more efficiencies? And that's exactly what we're doing with Project Pathways – a major internal and external business review process we announced in December last year.

And from the start of this process we've understood that transparency is of vital importance. We need our stakeholders to understand that we plan to take advantage of opportunities created by the global financial crisis, and so we decided to manage the situation, rather than letting it dictate our future strategy.

We have been looking both internally and externally at the options available to us, including strategic partnerships, complementary merger opportunities and new business strategies such as portfolio optimisation and efficiency initiatives.

Our focus remains on building shareholder value, and we have to think outside the square to do so in the current economic environment.

But let me re-assure you that my focus remains on growing BOQ – not selling it off.

And throughout this process we have tried to communicate openly and transparently with our stakeholders, as best we can given continuous disclosure requirements.

In fact, one of the reasons, I believe, that Bank of Queensland has enjoyed such a positive relationship with most market analysts and journalists has been due to our policy of transparency and accountability.

It is a policy that I adhere to both internally and externally. Bank of Queensland employees are kept very well informed of our intentions. They are informed of all major decisions and events in a timely manner and given the background to understand why we have made a decision.

In fact, because of the feedback mechanisms mentioned earlier, they are often involved in the processes leading up to a major decision. As I have said

before, I often learn more in a couple of hours in one of our branches than I do around the table with my executives.

To me leadership is identifying what has to be done, designing a process to get that done, getting buy-in from your management team and most critically getting buy-in from your staff through communication, and then doing it.

That means communication is a cornerstone of strong leadership. If there is one thing you take away from today, I can't emphasise this enough.

Communication is a cornerstone of strong leadership.

That means not just talking at your people, but engaging in a dialogue which allows them to be part of the process – giving them a stake in the company's success.

Leadership now is not about giving orders but about giving authority, about telling staff what we want to achieve, and inspiring them to take us there.

That shift in attitude is the most powerful type of leadership I know. It can drive a revolution, and I think at Bank of Queensland that's already happening.

Since taking over as Managing Director in 2001, Bank of Queensland has radically reinvented itself.

It had 93 branches in Queensland in 2001, and now has more than 285 across every State and Territory in Australia.

Our Assets Under Management are now more than \$30 billion compared to \$6.6 billion in 2002.

We have grown at about twice the rate of the banking system for the last three years, and while the current economic environment makes this kind of continued growth a challenge, we are confident we can continue to outperform our peers.

We now see ourselves as genuine contenders. Sure, we may be in the welter weight class compared to some of our heavyweight opposition, but we are fast and flexible and believe we can give the customer everything they get from a big bank, with all the service and personal advantages of a small one.

Bank of Queensland's branch network is based on face-to-face, customer-focused service delivery, and we believe it is the best channel for our home lending business going forward.

At Bank of Queensland we believe we have the culture and service delivery to provide customers with the very best advice when it comes to choosing a financial product.

We have broken the mould of what a regional bank should be, and should do, in Australia.

Our industry leadership has come through doing things differently, and challenging our larger competitors.

By being a big small bank, not a small big bank.

Our aim is to be Queensland's bank of choice, particularly for SMEs and to be a major national force in the retail space, and we are well on the way to achieving that.

The current global liquidity squeeze in financial markets has had a huge impact on the banking market in Australia and it is no over-statement to say that risk has been repriced.

Still, we are managing the situation and not letting it manage us.

The current economic crisis has forced us to look at the way we do business, and we are doing that through the formal process called Project Pathways which I mentioned earlier.

So while we are looking internally at what we can be doing better, we also believe opportunities exist in our external environment, in terms of mergers and partnerships.

I've said a number of times that I believe BOQ is the natural consolidator in this market and Project Pathways is helping us identify these opportunities and ensure we gain key market share in growing markets and strengthen our customer offering.

And that brings us back to leadership.

As I said earlier, leadership starts within an organisation, but grows to become sector, market and then industry leadership.

You must get your own house in order first though. At Bank of Queensland we have forged a customer-centric, competitive culture which draws on the fact that we are small, and that we are fighting above our weight.

After all, everyone knows Queenslanders love to be the underdog.

And with Project Pathways we are looking at what else we can do to make sure we are as efficient and effective an organisation as we can be.

This has meant some tough decisions, but the current economic environment has forced these decisions upon us. No CEO would ever choose to retrench people, and this is especially true at a company like Bank of Queensland where we think of our people as the BOQ family. We are small enough that I can travel around the country each year and chat to every BOQ person face to face. And that makes our recent announcement re redundancies even more difficult.

However, it was the inevitable result of an increasingly difficult and trying economic environment and I have tried to make it clear to all BOQ people that no one has done anything wrong here. No one at BOQ deserves to be retrenched. No one did anything wrong. But the shock waves of the global financial crisis are far-reaching, and we at BOQ have not gone untouched.

And it is my job as Managing Director to make the tough decisions and to ensure BOQ continues to grow shareholder value while remaining a real alternative for our customers. And of course be a good employer!

That is part of being a leader.

As I said before, being a leader in the easy times is comparatively easy. It's the tough times, like those we are facing right now, that will allow the true leaders to shine.

I believe leadership is about identifying just what it is that will stir your troops, to make them believe it is more than just a job and that the customers are their customers, regardless of their role in the organisation.

Leadership starts at the ground level with your team, and then moves through the organisation as each person takes responsibility for themselves as part of a great team.

As seen in many sporting clubrooms around the country – “A team of champions will never be a champion team.”

It doesn't have to be complex.

Despite the many leadership bibles, and I own a few myself, it is finding your own approach, while understanding the fundamentals of good leadership, which is the key.

This approach started back with my first job.

Starting work in a branch in regional South Australia as a young, football-mad, teller my boss had a simple message for me.

“Always smile and remember to greet the customer by name,” he said. A simple premise, but one which I have stuck to for 40 years as a basis for good customer service.

But to be a market leader, you must also lead with your head, you must be innovative and smart and look to the gaps and where your organisation can exploit them.

That means you can not stand still, can never believe you or your organisation has made it. As soon as that happens, it's time to move on.

There's a great quote from that old American cowboy Will Rogers:

“Even if you are on the right track, you'll get run over if you just sit there.”

This quote outlines to me that innovation is not static. Evolution means constantly improving.

It means there is no such thing as reaching a market leadership position and then stopping. This quote reinforces to me that leadership comes not from just setting a vision, but in instilling confidence in that vision, communicating that vision, and providing the means to achieve the vision.

Once achieved, new goals must be set, new hurdles identified. Otherwise, you, your staff and your organisation will stagnate and be over-taken. Market leadership comes from never being complacent, never sitting still long enough for your competitors to catch up.

Complacency is the most dangerous sin when it comes to the business world.

It is also the hardest thing to combat when you are the market leader.

The common phrase for a company like the Bank of Queensland at the moment is “market challenger”.

Our size allows us to be flexible, nimble in the banking marketplace.

It allows us to respond faster to market changes, and to provide innovative, market-leading solutions for our customers.

Leadership in business must be about giving the public – our customers – a sense of stability, of assurance. It's about anticipating and meeting customer needs and showing them the way forward.

And it is that customer focus which allows us to take market share directly off our larger competitors.

But it is also about innovation, about never, ever, believing that you have all the answers and that there is not a better way to do something.

Leading through change.

That leadership can be seen in our approach to branch banking and the strength of our ATM network.

That goal is better customer service. That reason for being is giving our customers what they want – more points of contact, genuine convenience, and face-to-face service when they want it.

It is not about pushing our customers anywhere. They know what they want, and where they want to go. We just need to ensure we give them the so-called “new basics”, and then go a little further.

To move with them, evolve, and grow through innovation.

After all, why should business be any different from other areas of life, like sport or the arts, where the constant pushing of boundaries and reinvention of the norm are needed to keep you on top.

Ask Wayne Bennett or Leigh Matthews how they managed to keep producing competitive teams even when their resources were lower than their competition and you will receive a similar answer.

Change, evolution, growth.

I wish to return to where I started and close on two quotes by noted American academic and writer Warren G Bennis.

The first quote states: *"The most dangerous leadership myth is that leaders are born-that there is a genetic factor to leadership. This myth asserts that people simply either have certain charismatic qualities or not. That's nonsense; in fact, the opposite is true. Leaders are made rather than born. Failing organisations are usually over-managed and under-led."*

Over-managed and under-led. How succinctly that describes the common problem in today's corporate and political worlds. When there is a task, form a committee. This has three key outcomes:

1. Blame and responsibility is spread from a single individual to a faceless group;
2. We can talk and plan rather than do and achieve, and;
3. Risk and innovation can be moderated to the safest, least dangerous path.

While this is a form of protection for those involved, it is not leadership, although all too often it is considered management.

As they say, when all is said and done, more is said than done.

To me, the best committee is a committee of one. Make decisions, take action and take responsibility.

And finally, the last of my quotes, also from Warren G Bennis: *“Leadership is the capacity to translate vision into reality.”*

Ah vision, there’s a word which is also over-used but rarely seen.

But that’s another speech.

Thank you.