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**David Liddy
Managing Director
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Thank you for inviting me along today.

This Smart Leaders forum is a great initiative by Griffith University and I know it will continue to grow.

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

It's an interesting time to speak about leadership with so much going on within the political leadership of this State and this country. The changing of the guard between Peter Beattie and Anna Bligh in Queensland and the fascinating battle of the Federal Election means we are more focused on our political leadership than is often the case.

In the business world we have seen change too as some of the country's most senior bankers make way for successors, and the current global financial instability makes leadership more important than ever.

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 have become 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, and the blame, if things go wrong.

It also comes from fostering a culture where no-one is too elite, 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 staff 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 fortnight where staff 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.

I will tell you that, when I first took over as Managing Director of Bank of Queensland I made of point of going out and meeting the staff in the branches.



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It was ironic because I would usually have at least one of the executives travelling with me on these visits. The staff felt comfortable enough to call me David when I told them too, but the executives were all still “Mr so-and-so”.

Now all executives are called by their first name by everyone in the bank.

Leadership is not just setting the vision, it is taking responsibility 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, if not the performance, of your company.

The issue facing most executives who lead major, particularly listed, companies these days is often one of short-term versus long-term goals and achievements. Fund managers and analysts, while wanting to know you have a long term strategy and goals, really only look for immediate profits!

One of the true tests of leadership for a corporate executive these days is the tension between short-term goals and achievements with the need to look to the future and build long-term strength and prosperity within your organisation.

I think if you were to ask the CEO of any listed company he or she would admit this is one of the great challenges facing them in these heady days.

Because while you must build future value for your organisation through IT upgrades, product development, branch openings and even writing mortgages, these are often investments in the future, and do not bring immediate gains.

It is a tightrope-walking exercise. One I relish, and which Bank of Queensland has undertaken successfully, but still a challenge.

One of the reasons, I believe, that Bank of Queensland has had 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 quickly 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 250 across every State and Territory in Australia.

Our Assets Under Management are now more than \$20 billion compared to \$6.6 billion in 2002.

Our market capitalisation was \$400 million when I took over and is now around \$2 billion.

We have grown at about twice the rest of the banking system for the last three years, and intend to continue growing at that rate in the future.

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 expanding 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.

Our focus is on ensuring we provide exceptional customer service through our own channels, rather than rely on third-party sales people like mortgage brokers.

We are different from the major banks, which have a mature branch network and so achieve productivity gains through the broker channel.

We have our own customer-focused channel – it's called our branch and business banker network. Our branches, of which more than 180 are franchises, are our front line.

And, unlike others in our sector, we are not just a mortgage shop.

Home lending now accounts for only about 60 per cent of our total loans on balance sheet, with business and commercial lending accounting for the remaining 40 per cent.

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.

We have done this through the extraordinary organic growth I have already mentioned, but also through key acquisitions.

Whether it was purchasing the equipment finance business from UFJ Australia, debtor finance from Orix or an ATM fleet from ATM Solutions which gave us a national reach with more sites across the country than any other bank – we have bought to underpin our customer offering.

More recently we have acquired Pioneer Building Society and next month we will have scheme meetings for mergers with Mackay Permanent Building Society and Home Building Society in Western Australia.

These mergers not only bring more points of presence into our network in the two fastest growing regions in the country – North Queensland and Western Australia - they also bring in excess of 160,000 new customers into the BOQ fold.

You may have also heard of another merger proposal of ours – to Bendigo Bank. It gained a bit of coverage in the financial media.

While I am disappointed that Bendigo's Board decided not to support the proposal, which was at a very healthy premium to their current share price, and their decision not to put it to their shareholders, it was their decision to make.

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 will have an impact on the banking market in Australia and, in fact, already has with some financiers adjusting interest rates above the RBA increase.



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BOQ has not done this, but we will watch the market carefully. The issue will be of course just how long competition will keep rates low as the squeeze continues. One thing for certain that risk will be repriced.

Still, we are in a good space with BOQ and our mergers bring us a strong retail funding base to build on our own deposit growth, which is well above the banking system.

BOQ has no direct exposure to the sub-prime market in the US and our low-doc loan portfolio is very small, and working within the credit parameters we expect.

So, there will be some interesting times ahead for the world finance markets and banks in general, but I know BOQ is well-placed to weather the storm.

It is a very good time to have "Bank" in your name.

In fact, I think it only heightens our attractiveness to some of the building societies and credit unions in Australia which are looking for merger partners that understand them and their customer-centric culture.

I believe BOQ is the natural consolidator in this market and will continue to work to 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.

The fact is though, you must identify 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 where they work 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.

It doesn't have to be complex.

Despite the many leadership bibles, and I own a few myself, it is finding our 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.



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“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 which states:

“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. 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 manage to keep producing competitive teams even when their resources are lower than their competition and you will receive a similar answer.

Or the Melbourne Storm and Geelong Cats who won such emphatic victories on the weekend.

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.

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.



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But that's another speech.

Thank you.