

Banking on Its People

Heritage Bank's people-first culture and focus on customer service have seen it consistently lead the industry in customer satisfaction and staff retention.

Images by Peter Rickards Photography

As the largest customer-owned bank in Australia, Heritage Bank understands the power of its people. CEO John Minz is just one of Heritage Bank's loyal, long-term employees. John recently spoke with *The CEO Magazine* about the drastic transformation both Heritage Bank and the Australian banking industry have experienced in recent years.

The CEO Magazine: You joined Heritage Bank in 1993. How has the banking industry shifted over the past two decades?

John: There's been a dramatic shift over those 20 years. Heritage used to be a straight mortgage lender with basic deposit products, limited geographic distribution, and some insurance products.

The banking industry has now moved to the point where if you want to be part of the industry you have to have the full suite of products. I've seen the shift in the channels from face to face through to voice, online, and mobile. We're

now seeing the integration of those channels, and the ways in which we distribute our products and services to our customers, changing dramatically from 20 years ago.

The big issue is the fast-paced rate of change, because you never actually catch up. You do whatever you can to provide excellence in products, services, and access, and you understand that your customers' needs continually shift.

How do you predict your customers' needs?

We have a significant strategy research capacity, so I have a direct report, who is the chief treasury and business strategy officer, and he has resources that help him do that particular research and tap into what may change in the industry.

We have partners whom we deal with, and our internet banking partners provide advice on what may be happening in that particular channel. I'm on the board of the Customer Owned

Banking Association, and Heritage is a member as well. We have research that comes out which talks about what has been changing and what the options might be for change.

There are plenty of different research options. The key isn't the quantity of research; it's the quality and the unique facets of your business. As a regionally based, community-connected organisation, our strategies might not be exactly the same as a small credit union with zero or limited physical distribution. It needs to be tailored to our customers' needs.

From our perspective, I see an evolutionary change in the industry, and it's one that's been happening for quite some time. If you look at branches, they've traditionally been the primary transaction sites; but the mantra that I'm putting out as part of our strategy is that those face-to-face sites will change to be customer centres that will be more focused on advice rather than providing a product or transaction. >

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- John Minz



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The look and feel of the branches, the type of staff that we employ, and the systems and support that we provide will be different to the teller system we've had in the past. Obviously, some of those systems will continue, but it's more the blend of what happens in those locations that will change.

We have a Branch of the Future project, which we kicked off recently. That will continue the changes we've made to the look and feel of the branches and review the size and layout of the locations. It will look into digital signage to assist in the communication process with customers.

Due to the fact that we have 61 branches, it's not the sort of thing that we can afford to do in one go. We need to understand that the look and feel needs to change. It has to change around a preferred design that will then be implemented over the next five years.

Where do you see internet and mobile banking going in the future?

It's already taken off; we have far more internet transactions than any other form of transaction combined, and that happened six or seven years ago. We're now seeing more mobile transactions than branch transactions. Mobile banking has been grasped by customers, so we're providing different versions for Android and Apple. We're also looking at other apps for the future.

What are your greatest achievements as CEO of Heritage Bank?

I think the number-one achievement has been the nurturing of a people-first culture through leadership and strategy, which has allowed me and this organisation to tune 800 engaged staff in particular directions.

When I need to take measures to achieve an outcome, like customer service, my team step up and talk to staff about why it's important, and speak about the connection between that particular element and what they do in their job. That rich culture then moves on its own accord. In the past, we've successfully tuned that culture to customer service, sales, and funding. We're now tuning that culture towards innovation, continuous improvement, and quantum-leap change.

We've run seven organisational effectiveness surveys. In the last one, we had a 94 per cent participation rate, and we've never had less than 90 per cent. We have 23 criteria; 15 of those 23 are above world class, or above 80 per cent as voted by our staff. That includes things like teamwork, cohesion, communication, flexibility, and employer of choice. We have 22 out of 23 that are seen as a strength at Heritage Bank.

The secret is that this is not owned by me or my HR people; it's owned by our staff. When they participate in the survey, they own it, and they also own the action plans that come out of it which detail how we're actually going to improve on certain criteria.

It's an incredible culture nurtured by leadership, and I think there are several fundamental aspects to that. One is the acknowledgement and reward system that puts people on a pedestal when they live our values of integrity, excellence, and community, or when they are seen to live the preferred behaviours that I speak about.

We've done some incredible things with distribution through the growth of the organisation, and have achieved 14 consecutive record pre-tax profits. For two out of the past three years, we've had the highest customer-satisfaction rate from Roy Morgan of any financial institution in Australia,



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which is attributed to our people-first culture. Once you have that culture, and you have 800 people who feel strongly about being part of an organisation, you can refocus performance in any area.

The reason we mean something is because we treat our staff incredibly well; we treat our customers extremely well because of our mutual model and our pricing and service; and we engage so much with the community. There are so many things we do with local communities. We sponsor community groups, operate seven community banks where profit is split with the community, and we've run 14 charity golf days, donating more than \$600,000 to local charities.

What is your vision for Heritage?

The vision for Heritage will focus on continuing to innovate. We've invested significant resources in the area of business-process management, which includes innovating the products and services we provide to our customers.

We've initiated a customer-experience committee, which feeds from different areas in the organisation. The committee will focus on improving processes as well as every customer interaction.

We have a strong focus on innovation and challenging why we do the things we've always done, and thinking about how our business looks in the eyes of the customer. ●



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