

# FINANCIAL INDEPENDENCE with a Personalised Touch

Tracing its history back to 1846, IOOF is a leading provider of quality financial services and advice. The company remains at the forefront of the industry, offering Australians an independent alternative to the Big Four.

Images by Estelle Judah Photography

**C**hristopher Kelaher, CEO and Managing Director of IOOF Holdings, has been with the group since 2009 when IOOF acquired the business that he had been managing director of for approximately 10 years. He spent the previous 13 years working for Citicorp. Throughout his time with IOOF, he's seen the organisation expand and diversify, mainly through mergers and acquisitions. He spoke with *The CEO Magazine* to look at the challenges he's faced, particularly with the growing portfolio of businesses under the IOOF

banner, and his ambitions for the future of the organisation.

***The CEO Magazine:*** Having been with IOOF through many mergers and acquisitions, what challenges have you faced?

**Christopher:** When you're involved in a business with multiple brands and have people located Australia-wide, the challenge is to keep them all cohesive and together. I think one of the most important things to do is to keep them all motivated. When you're bringing all of these people together, they need to believe in the collective story.

I think the risk of buying a business that is largely dominated by people is that your biggest assets are coming up and down in the lifts every day. But when you buy a business with no assets and a substantial cashflow, you are then obliged to take a different approach to that asset. The biggest challenge is that you buy a business that is made of people, and the first thing that they're inclined to do is head for the exit. So you've bought something, but the assets dissipate very rapidly. The challenge is to keep them all together or keep the business together if they go. >



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The majority of our business is largely focused on superannuation, and there are many different kinds of providers of superannuation: there are industry funds, retail funds, banks, and there are small companies. And the regulators are obliged to make rules that cover everybody, even though their modus operandi is quite different. So we get caught up in that world, but it's a world that we have to live in. A lot of the non-profit providers don't have a lot of assets because basically they are a non-profit institution and everything

they do is outsourced, so theoretically the contractual tendering arrangements that relate to them shouldn't relate to us, but they do.

**With so many different cultures and personnel coming together through acquisitions and mergers, how have you managed to create cohesion across the group?**

I think at the end of the day it's a question of respect. Fortunately or unfortunately, the history of my

*"We've had a strong relationship with IOOF since 2001, providing their customers with a wide range of life insurance solutions. Our partnership is founded on a strong alignment of strategic objectives, contributing to the growth and success of our respective organisations."*  
- Jim Minto, Managing Director, TAL



"I'm a very traditional kind of person in the sense that we develop good relationships and then we sit with them. It's hard enough to make money in this industry without wasting time trying to find new providers."

- Christopher Kelaher

career has been marked by the different corporations that I've worked for, and largely the lesson that I've learned is, in many respects, how not to do things. As a result of that, I'm very keen to try to keep cultures as they stand. For example, through acquisition, we have four large operating centres: one in Hobart, one in Adelaide, one in Melbourne, and one in Sydney. We don't demand that every one of those centres shuts down and everyone moves to Melbourne.

If you're doing good work and you're prepared to participate with the team approach, then everyone can stay where they sit, which I think respects the different cultures. There is still a lot of competitive tension between the states in that regard. For many years, having origins in Hobart meant we were the brunt of jokes. But then, all of a sudden, there was a growing awareness and respect that we had established an operating centre in a relatively low-cost area, which is actually quite smart. We persevered, and everyone now acknowledges that what we were doing was actually quite clever.

**How does IOOF utilise the strength of its suppliers to better the business?**

All of our insurance is done with TAL, and that has been a longstanding relationship. All of our banking is done by CBA, and that has been a longstanding relationship. We have used different lawyers, but generally our M&A work is done by one firm, litigation by another firm. Generally, we don't move away from those companies. I guess I'm sort of an anachronism; I'm a very traditional kind of person in the sense that we develop good relationships and then we sit with them. It's hard enough to make money in this industry without wasting time trying to find new providers. >



I think the other thing is that there is an element of reciprocity in what we do. When we were first starting out, a lot of the people in our supply chains were actually inclined to that as well, so it was a two-way street. Another key relationship is with Bendigo Bank; we assisted them when they were grappling with their superannuation products many years ago. We've maintained that relationship and we have a very good relationship with them. There are a lot of different companies, but they are the key ones. Some of them have been longstanding, so the challenge for us is to maintain our services for them and continue to use their services as well.

The relationship might have been an inherited one, but these days, with superannuation choice, people are entitled to select whomever they like. But those relationships have remained intact and are actually far stronger and far larger than they originally were.

Generally speaking, we frame the industry as being the four banks and AMP on the top line in terms of size, and then we lead the second line as the largest independent wealth manager in Australia. In that context, we basically have to work harder because the big banks have such a large, inherent customer base and automatic distribution because of their sheer size and scale.

We have to work harder to attract business, so when large groups come to us, we're more likely to try and solve a problem for a group than the larger institutions that offer cookie-cutter solutions. We're more likely to say, 'Tell us what your problem is. Tell us what your ambition is,' and then we'll actually try to solve the problem for them. It's more of a bespoke kind of approach. It would be wonderful to be like a bank and have thousands of customers coming and going every day without even moving, but we're not in that domain and therefore we tend to try harder to provide bespoke solutions for people.

### Internally, how do you demonstrate the value of your employee relationships?

We undertake many strategies. For instance, we support women in super as a demographic. We actively survey our workforce for their feedback on communication and culture, and we also have a risk culture survey to identify, manage, and monitor risks that are inherent within our business. There are many inquiries that we make of our employees, particularly given that there is a significant geographic dislocation here. We're always trying to find out what they're thinking, and always trying to be boutique in our approach to individuals. We ensure each employee has their own set of KPIs that are aligned to the company's values and are based on outperformance.

*"IOOF is one of our most strategically important partners; our relationship is built on mutual trust and respect and a shared commitment to creating value for customers and communities in a sustainable and ethical way."*  
- Colin Morgan, Chief Executive, Zurich



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In addition, we offer employees a number of benefits, including a workplace giving program, a health and wellbeing program, networking opportunities, and ensuring involvement in the community. We also have a number of sporting teams and events that we support. It's a challenge to bring everyone together all the time without putting everyone in the same room, but we make sure our leadership group circulates to each of the different states, and we make sure that we're accessible to people.

Personally, I try to speak to different people in the business, but not everyone, obviously, since we have such a large staff. I like to maintain an open-door policy and would hope that employees feel comfortable approaching me. It's those small things that you try to do to get a more intimate understanding and different perspective on the company.

### What programs or initiatives do you have with regard to employee training and education?

We have a conventional approach. Theoretically, if the field of study is consistent with their function or if it evolves out of an employee's

career-planning session for their future, then we'll fund it and allow adequate time for study leave. Once qualified, we also pay for the membership of a professional association. In addition, we run in-house courses on soft skills, such as leadership and emotional intelligence. This year, we have also commenced a mental-health awareness program for all our managers. I've been a beneficiary of further study throughout my career. The one thing you do learn is that you never stop learning. You've got to maintain that appetite. I'm a great believer in education, across my family and across all the people here. If they're willing to put in the extra time to boost their career, and it's consistent with their function, then we're 100-per cent supportive.

### What does the future hold for IOOF?

As a business leader, you are always looking for innovative ways to improve your business. I think we want to get better at what we're currently doing. Certainly, one of our aspirations was to get sufficient scale and resources to make us competitive against the banks and the life companies. I think we've done

that now, and I think we now just want to get better at what we do.

There is no aspiration to conquer the world or expand our operations offshore—I think more Australians 'make donations' by going overseas than not, so that's not our aspiration. But I do think we can get better at what we're doing. Once the government gets out of our industry for a minute and lets us get better at what we currently do, rather than changing the laws in a misguided way, I think that would be a great solution, so we can encourage more people to save more money for their retirement.

One of the great saviours for Australia through the GFC was the vast pool of savings coming via superannuation that were able to be turned into the various markets, which kept Australia moving in a positive direction. It's a great industry, but it still can be done better. Unfortunately, we have a lot of government regulation that we need to comply with, the majority of which doesn't provide any solution to anyone. Once we've navigated some of that, then we can get back to providing even better services and products to our members. •

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