

# Chairs' Leadership & Networking Forum



**AM** Institute

Australasian Mutuals Institute

Excellence • Professionalism • Integrity

# MUTUAL CHAIRS' FORUM – EXPLORE THE OPPORTUNITIES

- What are the aspirations of mutual ADIs and their sector?
- Explore the possibilities for a better outcome!
- Consider leadership and governance expectations!
- Think strategically in a collaborative environment!
- Focus on some major issues and explore collaborative solutions!

# MUTUAL CHAIRS' FORUM – OUR FACILITATORS

## **Patrick McClure AO – External (to the sector) Provocateur**

- From Franciscan Priest to Company CEO
- Social Entrepreneur – influenced by Father Marion Ganey
- CEO Society St Vincent de Paul NSW/ACT
- CEO Mission Australia (1997-2006)
- CEO Retirement Villages Group, Macquarie Capital
- CEO Aged & Community Services Australia



# MUTUAL CHAIRS' FORUM – OUR FACILITATORS

## **Patrick McClure AO – External (to the sector) Provocateur**

- Member Aged Care Advisory Group
- Chairman Australian Govt. Reference Group Welfare Reform
- Member Board for a New Tax System
- Member Prime Minister's Community Business Partnership (1997-2007)
- Chair OECD-LEED Forum on Social Innovation – based in Paris
- Commissioner Australian Fair Pay Commission (2006-2009)

# MUTUAL CHAIRS' FORUM – OUR FACILITATORS

## **Patrick McClure AO – External (to the sector) Provocateur**

- Awarded Order of Australia (AO) in 2003
- Awarded Australian Centennial Medal
- Was an AFR – BOSS True Leader (2005)
- Awarded Equity Trustee's EQT CEO Awards for 'Lifetime Achievement'

# MUTUAL CHAIRS' FORUM – OUR FACILITATORS

## **Gerard Hermens – Internal (to the sector) Provocateur**

- Co-Founder Family Tyre Manufacturer/Retailer in 1965.
- Grew from 1 to 13 retail operations, factories/warehouses nationally
- Sold to Pacific Dunlop in 1989.
- Director/Head of Business School Australian Graduate Management Consortium
- Three Post graduate degrees including two masters
- Studying for Doctorate in Emotional Intelligence

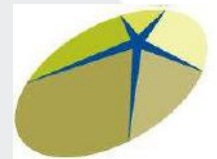
# MUTUAL CHAIRS' FORUM – OUR FACILITATORS

## **Gerard Hermens – Internal (to the sector) Provocateur**

- Founder Strategic Learning Partnerships (strategic planning & governance)
- Founder RTO Institute of Strategic Management – Clients include:-
  - MFAA preferred provider to mortgage brokers
  - Aussie Home Loans, NAB Broker, Loan Market & AFG
  - Moody's Investor Services – Credit Analysts
  - Mutuels directly and in partnership with AM Institute



**Moody's Investors Service**



# MUTUAL CHAIRS' FORUM – EXPLORE THE OPPORTUNITIES

- Gathered the resources to nourish strategic thinking
- External & Internal Provocateurs
- Leaders of near 30 Mutuals
- So let us stir the pot over the next 4 hours and explore the possibilities?
- AM Institute will be keen to see the outcome of this Forum?
- And to learn whether this group sees value in future Forum?





# Agenda

|           |  |                    |
|-----------|--|--------------------|
| 1:00-1:10 | <b>Forum Welcome &amp; Introductions</b>   | Ken Pickering      |
|           |  |                    |
| 1:10-2:10 | <b>Identifying the Issues &amp; The First Cut</b><br>- Some Thought Triggers<br>- Individual Introductions including One Big Issue   | Gerard Hermens     |
|           |  |                    |
| 2:10-2:50 | <b>Strategic Insights &amp; Provocations Part 1</b>  | Patrick McClure AO |
|           |  |                    |
| 2:50-3:20 | <i>Afternoon Tea &amp; Networking</i>  |                    |
|           |  |                    |
| 3:20-3:40 | <b>Strategic Insights &amp; Provocations Part 2</b>  | Gerard Hermens     |
|           |  |                    |
| 3:40-4:30 | <b>Workshop Syndicate Group Deliberations</b><br>- Identify three major issues that need to be confronted along with some suggested action steps towards a viable solution |                    |
|           |  |                    |
| 4:30-5:30 | <b>Group Plenary Group Discussion</b><br>- Workshop Syndicate Group Reports<br>- Plenary Discussion<br>- Action Items & Take Outs<br>- Forum Future?                       | Gerard & Patrick   |
|           |  |                    |
| 5:30-6:30 | <i>Networking, Drinks &amp; Tanapes</i>  |                    |

# Identifying the Issues

- With declining market share –  
*‘What should be our point of difference?’*
- 5<sup>th</sup> Pillar –  
*‘Why has this not materialised?’*
- Structural Change –  
*‘How do we respond to the move by big banks who have refocused on cost reduction and changing the funding mix?’*



| Basel III ratios                                      |               |                    |               |
|---|---------------|--------------------|---------------|
| Capital ratios, per cent                              |               |                    |               |
|   | Common equity | All Tier 1 capital | Total capital |
| Minimum   | 4.5%          | 6.0%               | 8.0%          |
| Conservation buffer                                   | 2.5%          |                    |               |
| Minimum plus conservation buffer                      | 7.0%          | 8.5%               | 10.5%         |
| Countercyclical buffer *                              | 0-2.5%        |                    |               |
| * Common equity or other fully loss-absorbing capital |               |                    |               |
| Source: BIS   |               |                    |               |

# Identifying the Issues

- Capital constraints and BASEL III –  
*‘How do we handle the change in capital & liquidity rules?’*
- Quality Governance is needed now more than ever –  
*‘What are clever ways to build capacity?’*
- New systems needed for 21<sup>st</sup> Century mutuals –  
*‘How do we create better partners to build new systems – and how do we fund the investment?’*



# Patrick McClure, AO



INSTITUTE OF STRATEGIC MANAGEMENT

# Mission Australia: Case Study

- Fragmented sector
- Global economy
- Privatisation of human services
- International and national commercial competitors



# Change Management

- Consultants
- 6 state entities to 1 national organisation
- \$40m to \$250m in revenue
- Debt to \$15m in net cash reserves
- \$46m to \$104m in total assets
- 3,000 staff



# Executive

- Strategic Planning
- Organisation Development
- Values and Efficiency
- Brand Development
- Social innovation



# Governance

- ASX Best Practice Governance Principles
- Independent directors
- Performance evaluation
- New board members to add value
- Code of Ethics and Conduct





# Government wants solutions

- Relationships with PM, Ministers, Chiefs of Staff, Heads of Departments
- Welfare reform
- Privatisation of employment services
- Australian Fair Pay Commissioner
- Research and Policy papers



# Effective Lobbying

## Aged Care Reform: Case study

- Productivity Commission Report
- Alliance (providers, consumers, unions)
- Blueprint for reform: key messages
- Lobbying of Government and cross benches
- Media
- Budget 2012 (\$3.9bil)



# Ethical Culture

- Competitive edge for mutuals?
- GFC, Lehman Bros, Bridgecorp, James Hardie, HSU
- Risk Management
- Reputation
- Ethical Decision-making



# Threats to Acting Ethically

- Tribalism: the organisation is always right
- Moral relativism: excusing unethical practices because others in industry are doing it
- Authority: that does not allow dissent
- Reward structures: short-term, high risk
- No complaint mechanisms



# SEFA

- \$20m (Govt, Macquarie, HNW individuals)
- Board and Council (social finance, business development, community development)
- Finance social enterprises on commercial terms
- Link with Triodos, leading international social impact finance organisation



# **Conclusion**

**What are the  
key issues  
to ensure the  
sustainability  
of our sector?**



Gerard Hermens

**An Industry Perspective**

# Small L vs Large L Lobbying

- Financial Planning Associations
- *(FPA & AFA over 25,000 members)*
  - Lobby government
  - Represent members
  - Establish professional standards
  - Create code / standard of conduct
  - eg key role in FOFA legislation



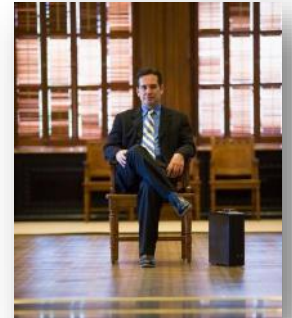


# Small L vs Large L Lobbying

- Mortgage Broking Associations
- *(MFAA & FBAA over 20,000 members)*
  - Lobby government
  - Represent members
  - Establish professional development programs
  - Promote members to consumers
  - eg secured \$3.5 mil in Federal funding for Training & Development



# Small L vs Large L Lobbying



- Key Learning:

- Government seeks and needs policy from industry groups based on sound research (white papers) and ‘voice’ of industry
- Regulators are influenced by unified – strong voice from the industry (ABA has had some success)
- Funding for research and Training / Development available through Federal Funding (via strong industry groups)
- Use of publications and opinion pieces in media is a useful tool in lobbying

# Fragmentation vs Consolidation



- Mutuals Banks – more will follow – will this lead to more fragmentation?
- More mergers underway – some observations:
  - Brand ownership and the agency cost key influencing factor
  - Conversation can be stifled – some seen as predatory
  - More innovative thinking is needed – there are other ways to ‘merge’
  - Every merger is a learning experience – how do we share this?

# Fragmentation vs Consolidation



- **Key learning:**
  - Advent of Mutual Bank is good but sector needs to ensure unity is maintained to promote the benefits of 'member owned'
  - Success of lobby programs predicated on sense of unity
  - Considered research on merger activity and results will help others, allay the fears that mutuals and regulators have
  - A range of useful models have been developed that should be shared in the sector (eg member value model)



# Red vs Blue Ocean

- Avoid competing on big 4 terms (cost leadership)
- Blue Ocean concept is to create more value:
  - Big 4 moving to integrating financial product offering using scale
  - Effective use of channels including mobile and e'tail (Kaching, Sense)
  - Non bank providers moving into traditional spaces (eg Smarty Pig & Mint.Com) via info-graphics
  - Mutuals should re-think this approach – focus on its 'roots'



# Red vs Blue Ocean

- **Key learning**

- Mutual sector enjoys highest satisfaction rate but does not translate
- Clues lie in looking at other industries and sectors (brokers, planners, 'social' banks)
- 'Local heroes' campaign effective in countering major retailers
- Mutuels can gain from co-operative market research and refocusing promotions
- Info-graphics can be refocused (as eg) to educate and enhance 'financial well being' to target disadvantaged, exclusion & other regional issues



# Workshop - Syndicates

- **Key Tasks**

- Identify key issues for the Mutual Sector
- Select and rank top three issues
- Generate some actions the sector could adopt to address each issue
- Bring back to the plenary session for presentation and discussion



- How often should these forums be conducted?
- What improvements can be made to future forums?
- Warm thanks to all participants!