

# *Outsourcing – our approach and experience*

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# ANZ's strategic direction

## Organic out-performance

- Empower ANZ individual businesses
- Flatten org structure
- Increase share of wallet
- Drive productivity

## Portfolio reshaping

- Invest in sustainable growth areas
- Focus on long term leadership positions
- Risk reduction

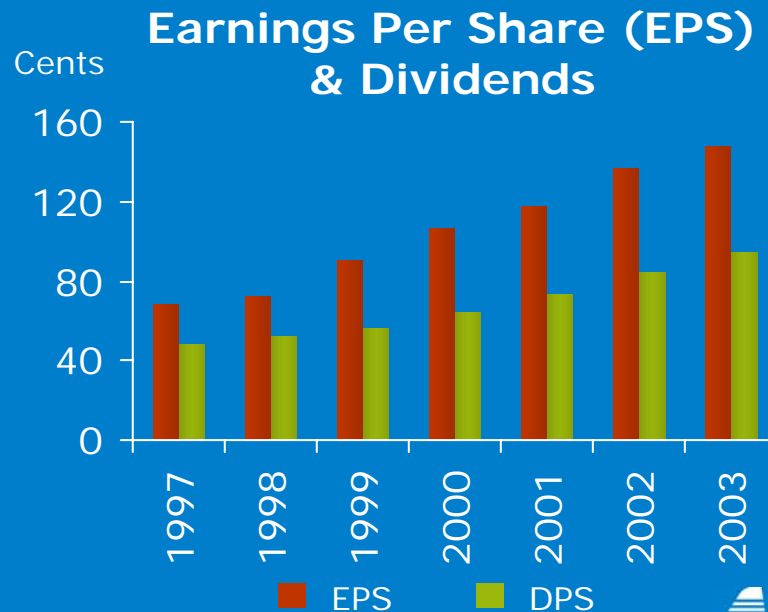
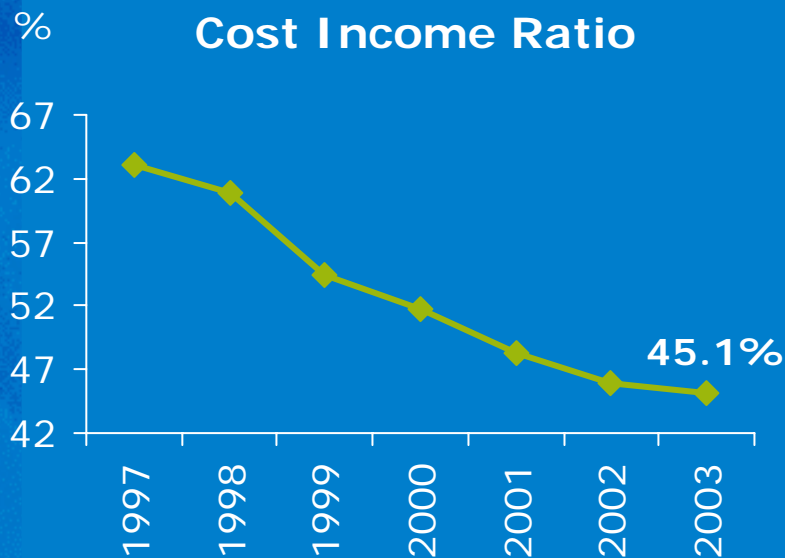
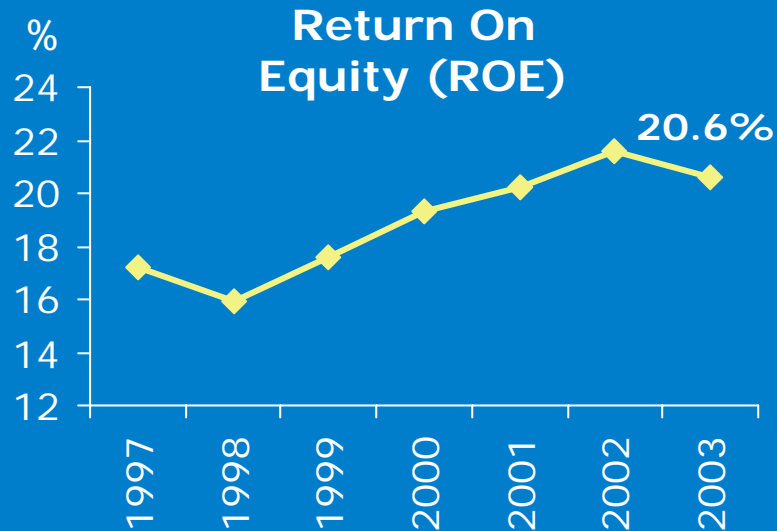
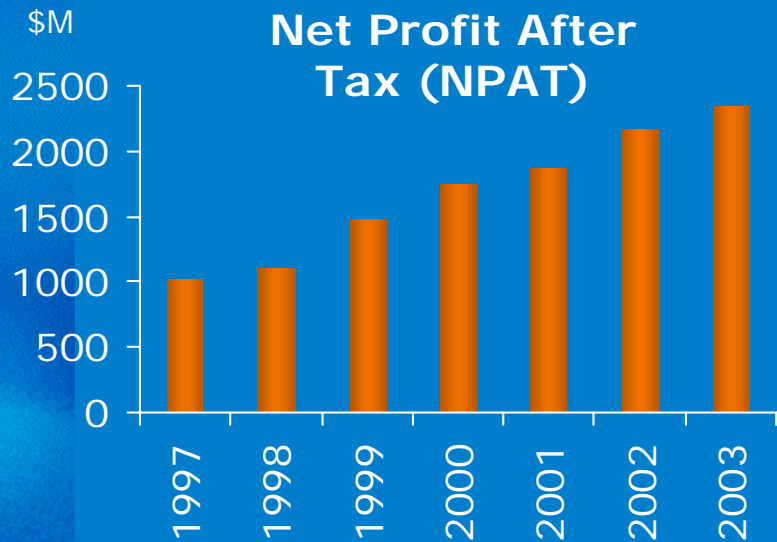
## Transformational moves

- Step changes in positioning
- Creating new growth options
- Proactively shaping industry

## Our targets

- Revenue growth materially higher than expense growth
- Take business units to sustainable leadership positions
- Build a range of strategic options

# High performance delivered



# Core & context\* has been suggested as a basis for outsourcing decisions

## CORE

Any process that contributes directly to competitive advantage in target markets

## Objectives

- Extend or create competitive advantage
  - Existing markets
  - New opportunities

## Execution Control

- Internal
  - In-house
  - Strategic joint venture

## CONTEXT

All other processes required to fulfill commitments made to one or more stakeholders in the enterprise

- Minimise disadvantage
  - Find someone else to do it for you
- Look to create new opportunities & advantages
  - Make a context process core

- External
  - Outsource
  - New venture

# Some other considerations when making an outsourcing decision

## Cost:

- Can you achieve at or near world class best practice?
- Can you achieve efficient & reliable services?
- Are you willing to pay away a margin to an outsource vendor?

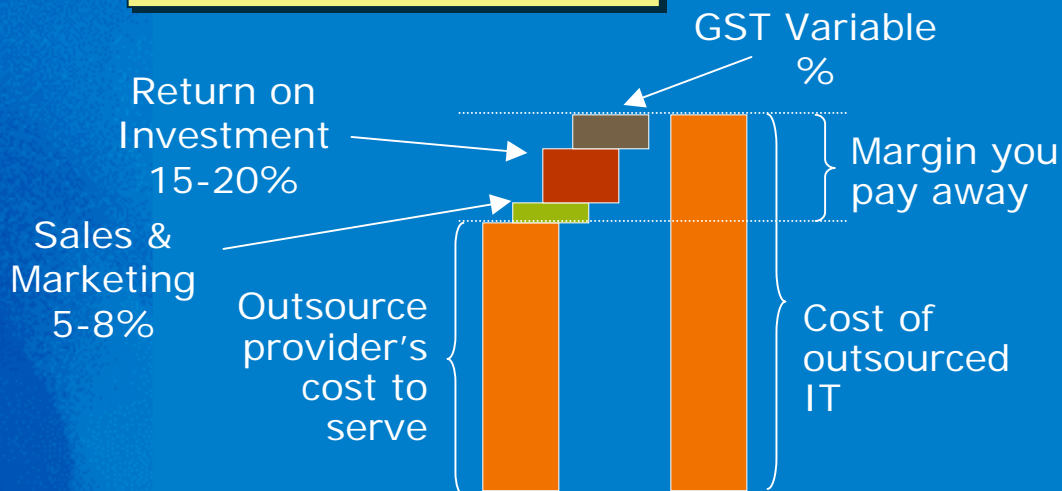
## Teamwork, collaboration & service levels:

- Are there impacts on alignment with BU customers ?
- Will collaboration & teamwork improve?
- Will service levels decline or improve?

## Innovation:

- How will outsourcing achieve competitive advantage?
- What will be the impact on the ability to create innovative IT solutions?
- How will open architectures & new technologies be funded & deployed?

### Illustrative cost break-up



# We focus first on operational excellence

## Continuous improvement programme

- Driving real cultural change
- Series of workshops for all staff
- Resulted in \$75m benefits to date



## Capability Maturity Model

- Significant productivity and quality improvements
- CMM level 5 certification – ANZ Investment Banking
- Bangalore, India - level 5 certification

## Project in a Box

- 'Best of breed' project management tools
- Central repository for all project reporting
- Open access to all users

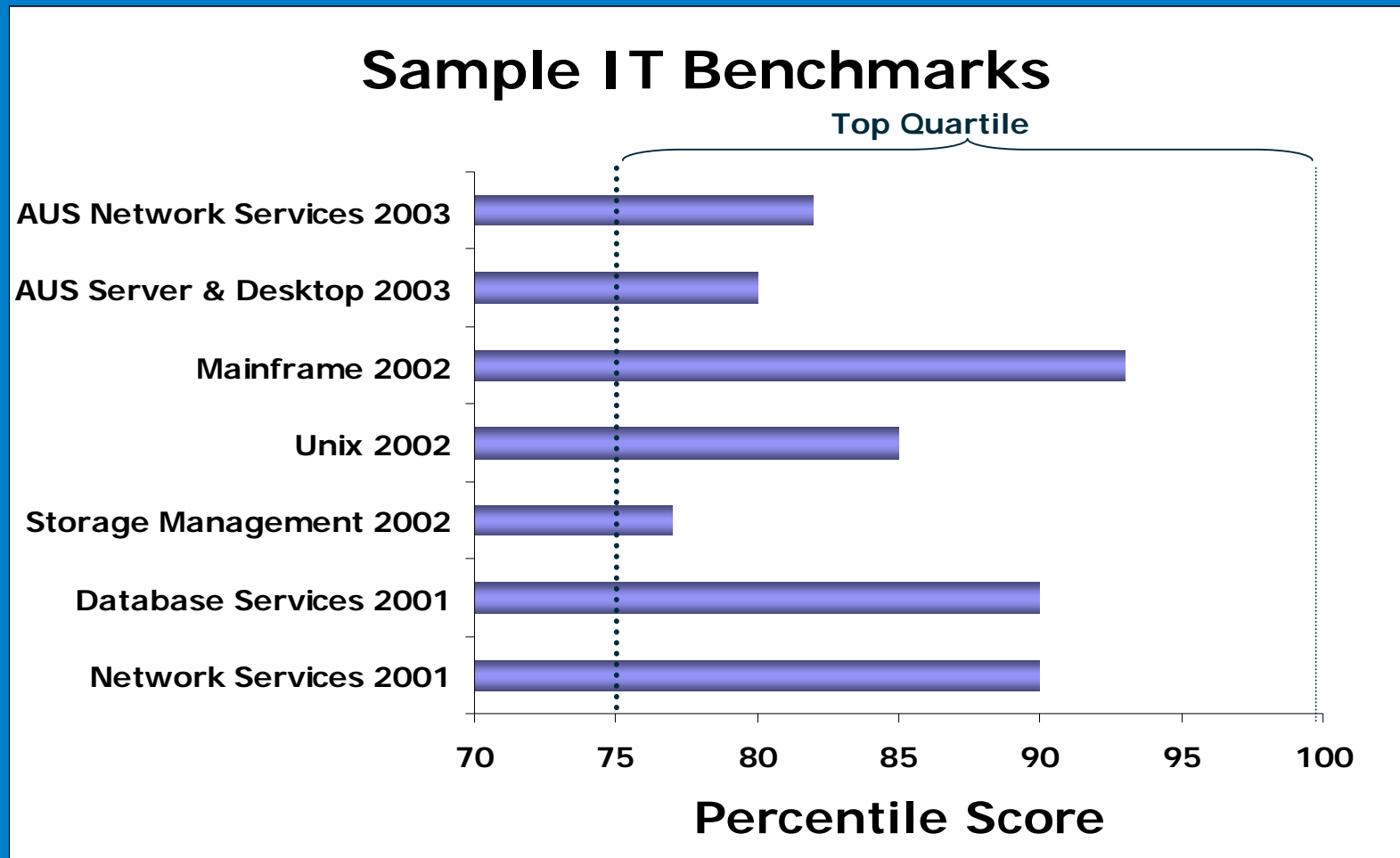


## Reengineering in a Box

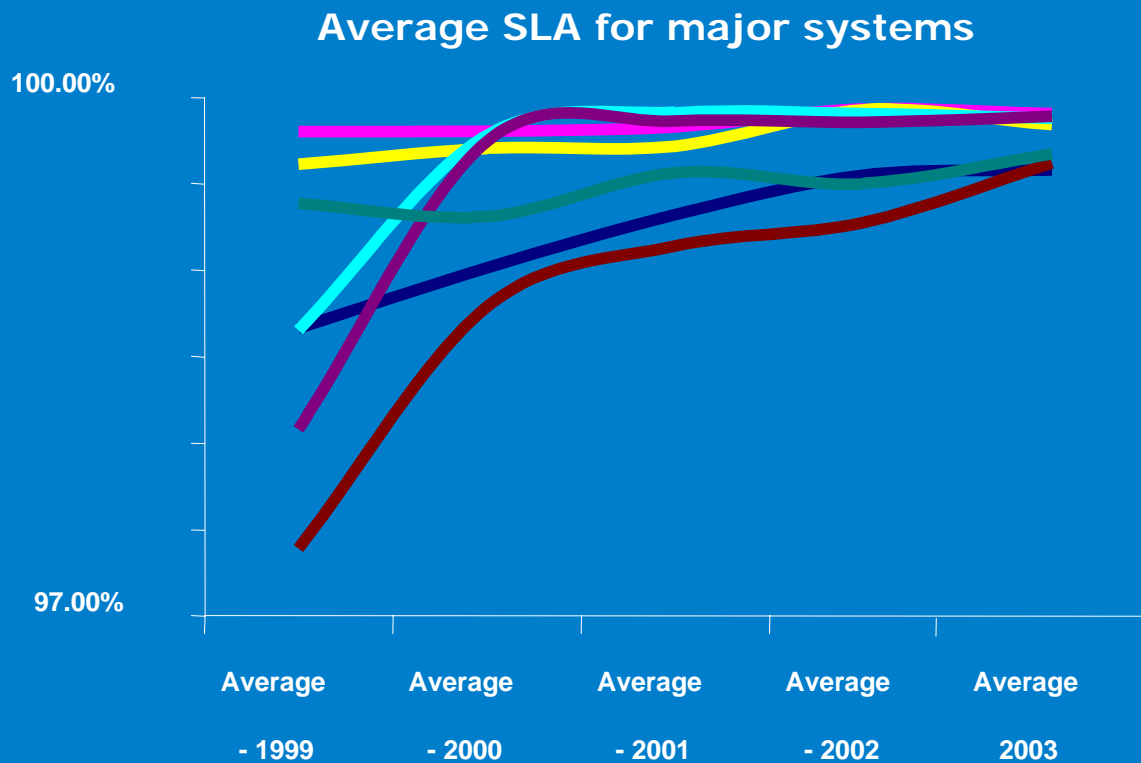
- Standard tools, templates and process for re-design of business processes

# We use external benchmarks to focus execution efforts

- Target performance for all internal BUs is top quartile or better



# Business Unit service levels has also improved



# What we have outsourced

## Currently Outsourced

- Proponix (Trade Finance Systems)
- Procurement Operations
- Property and facilities management
- Mortgages Debt Default Management
- Administration of Staff Superannuation Fund

## In Process

- Output Services – printing and mailing
- Staff & Contractor Recruitment Services

# Our approach/process to outsourcing



## Other factors to consider

- Risk management
- Project Governance
- Communication with Stakeholders
- Market/Environment
- Partnership Approach

# Our experience

- **Outsourcing is hard work**

- *Understand what you currently do* – business processes, performance outcomes, goals
- *Define clear performance metrics*, including end to end business processes and sub-processes (SLAs plus typical TQM detail metrics)
- *Document all transaction and fixed costs* at detail level
- *Understand interfaces* with the rest of the organisation including customers, technology, people, processes

- **Requirements change over time**

- *Need flexible contracts*, need to be able to change parameters as the market changes
- *Ability to change the scope* of work
- *Need to incorporate innovation measures*

# Our experience cont...

- **Can't outsource accountability**
- **Need to take a hard look at outsource providers**
  - What we expect internally we expect from an outsource provider e.g. customer satisfaction, continuous improvement, staff quality
- **Treat as a Partnership**
  - Constructive relationship
  - Similar culture
  - Aligned goals
- **Benchmark the outsourced service**
  - As we do internally for continuous improvement
  - Build improvements into contracts with contract cancellation provisions for not meeting new market standards

# Conclusion

- **Focusing on a strong execution capability, we have achieved:**
  - Better outcomes for our Business Unit customers, whether in-house or outsourced
  - High quality, more productive staff
  - Simpler infrastructure
  - Robust processes supported by a continuous improvement focus
- **We continue to actively benchmark our operations to best practice**
  - to ensure continued Operational effectiveness & review potential selective outsourcing opportunities

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