Streamlining International Operations:

Strategies for Achieving Global Systems Standardisation

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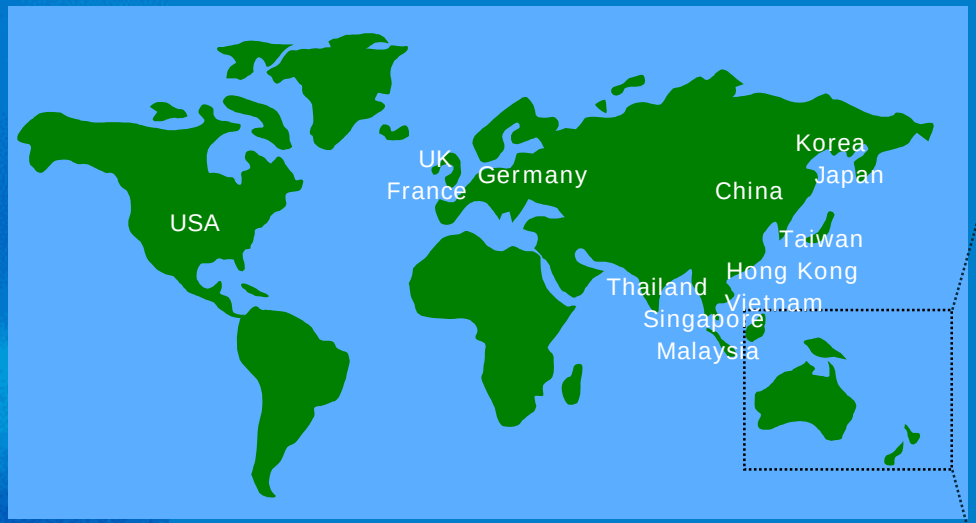
Agenda

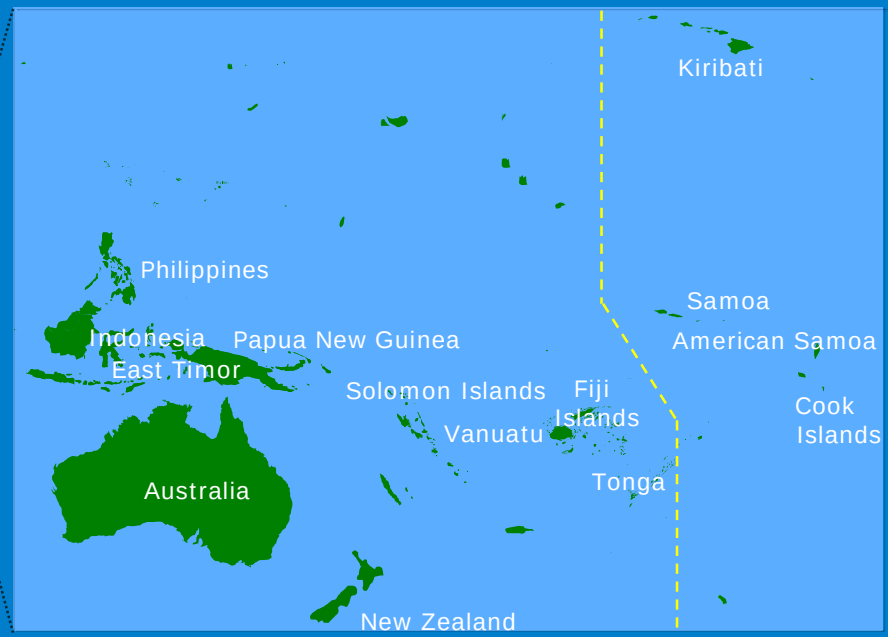
- Our challenges & commitments
- Our program
- Case study: Commercial Banking System implementation
- Critical success factors: lessons learned

Technology plays a key role in ANZ's strategies

Specialise	• Building a portfolio of stand-out businesses with distinctive business leadership and a sustainable top 3 position that work as one ANZ
eTransform	• Embracing technology to drive radical change, boost productivity, accelerate innovation and dramatically improve service and value
Perform	• Ensuring "best in class" performance for shareholders, customers, staff and the community
Grow	• Demonstrating strong growth momentum in core businesses and positioning ourselves in attractive new high growth categories
Breakout	• Being bold and different, a high performance culture with a human face, technological leadership and a strong domestic and regional strategic position

Challenges of a globally diverse operation

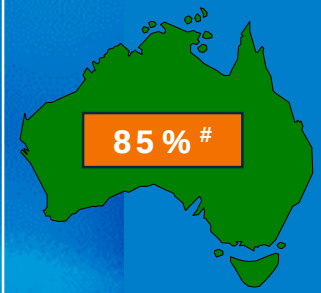




Challenges of global diversity:

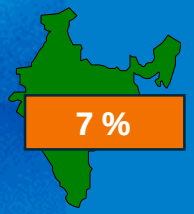
- Geographical & logistics: 26 countries, multiple time zones
- Diverse businesses: 17 Business Units, from Institutional to retail banking, from large scale to small operations
- Legal regulatory environments
- Cultures & languages

Technology services are largely provided from Australia



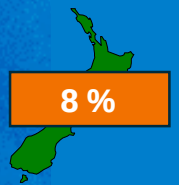
Australia:

- CMM level 2* certification



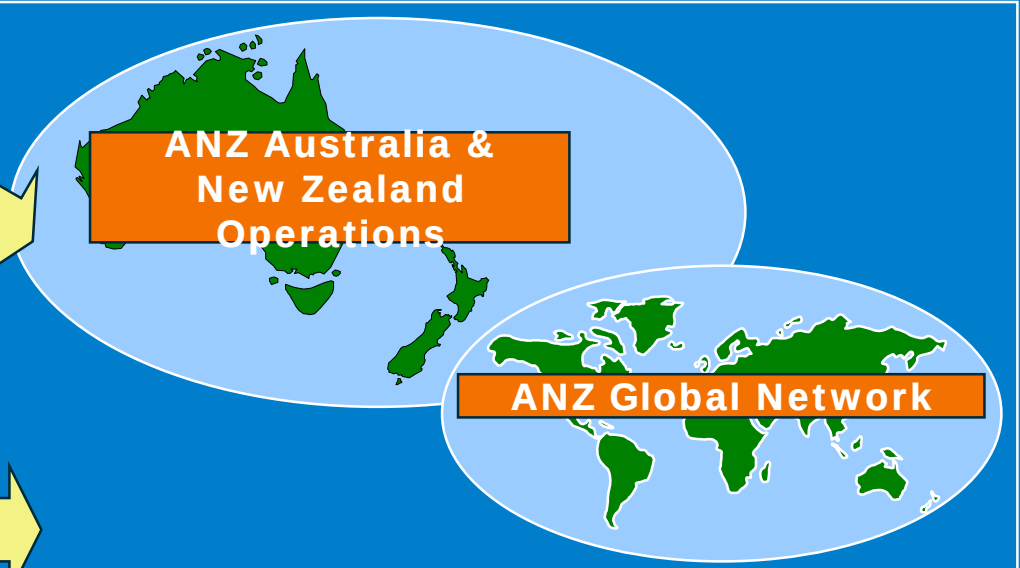
India:

- 30% of all applications development
- CMM level 4 certification



New Zealand:

- Provide full IT services domestically



Plus service bureau provider to various external parties eg Standard & Chartered Bank

As measured by dollars spent

* International development team

Challenges we faced four years ago

1998: Complex infrastructure*

- Inflexible, high cost technology
- 15 data networks
- 6 core systems
- Many different platforms

Commitments

- Reduce costs
- Rationalise, consolidate & automate networks and platforms
- Reposition existing host systems as “back-end” product functions, behind an integrated service “front-end”

1998: Weak processes*

- Poor disaster recovery
- Inconsistent architectures
- Poor project management & methodology

Commitments

- Use of professional project management standards
- Rationalise and standardise operational processes

*Note: In comparison to best practice

Business Drivers and Execution Approach

Key Drivers

Cost

- Exploiting scale economies
- Minimising Total Cost of Ownership

Speed

- Rapidly rollout new applications world-wide
- Business information to react to changing market conditions

Customer Service

- Quality & consistency of service proposition

Risk

- Capacity to manage risk

Key Execution Elements

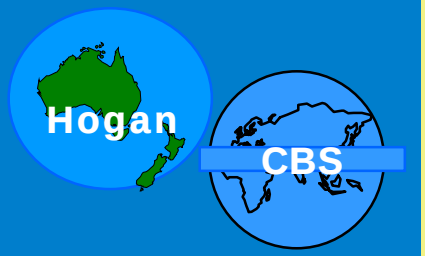
- Consolidate & rationalise systems & platforms
- Standardise processes & operating models

Consolidate & rationalise systems & platforms

Core Systems

1998: 6 major systems

2001



- Simpler systems & platforms reduce cycle times

Payments Transformation

1998: 27 existing systems across many geographies

2003

- Greater efficiencies through consolidation & real time capability
- Infrastructure for other payment initiatives

Platforms

1998: Many major platforms

2002

- Greater ability to leverage new technologies
- Lower hardware, software licence fees & support costs

Global consolidation of AS/400's

1999: 46 in 18 countries

2001

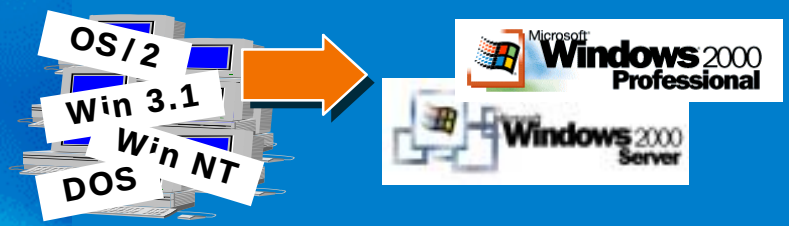
9 AS400's in all housed in Aust data centre

- Simpler environment
- Major cost reductions
- Risk management enhanced eg one DRP environment

Consolidate & rationalise systems & platforms

Servers & Desktops

1998 → **2002**



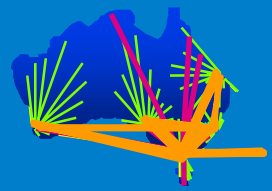
- All PCs running W2K or XP
- Office 2000 or XP

- Provides all staff the best tools possible, including Office 2000, via the intranet
- Low cost of ownership through a standard solution - enables central upgrades, reduced maintenance costs
- Key alliances will underpin leadership capabilities in business applications

IP network

1998 → **2000**

Multiple data networks



- Single IP Network provides universal connectivity

- Cost neutral, but 100 times capability increase: response time halved
- Flexibility - support ‘any to any’ connectivity
- Intranet access to all staff
- Industry standard: facilitates connections to external partners to support large scale e-business development

Standardise process & operating models: One global intranet

	October 1999 Informational	End 2000 Transactional	Today Dynamic	Beyond 2002 eBusiness
General Access	Evolved from IT pilot, text primarily	MAX reaches 16,000 staff	Max reaches 19,000 staff	All staff - globally
Publishing	Basic publishing	Publishing tools - 100 staff trained PFS manuals on-line	Publishing tools - 450+ staff trained All Manuals on-line	On-line manuals supported by document management
eForms		160 forms on-line; incl. Leave online	670+ Forms on-line Workflow tools in place	1000 Forms Common processes automated
Training		Vendor selected	On-line training - stage 1	On-line training - stage 2
Web & STP apps		Strategy & pilots	90+ web applications, including STP	Institutionalise
Multi Media		Limited Functionality	10,000 access	16,000 access

Business Outcomes

- "Max" has become medium of use
- Costs reduced via move to paperless office
- Increased effectiveness through keeping staff better informed
- Improve administration processes for staff via the web
- Challenges include low bandwidth environments & locally relevant content

Standardise process & operating models: Improve execution ability

Project in a Box

- Enhanced project execution capability with 'best of breed' project management tools
- Central repository of standard performance reports & risk register for all projects with open access to all users

Capability Maturity Model

- Significant productivity & quality improvements
- First Australian bank to attain CMM level 2 certification
- Bangalore, India recently attained level 4 certification

Reengineering in a Box

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

Project management training

- Generic training courses tailored with ANZ specific content & latest PiaB tools

Standardise process & operating models: Continuous improvement & quality

- Key initiative driving real culture change
- Program consists of a series of workshops for all staff:
  - Introduction to Quality
  - Team Development
  - Continuous Improvement
  - Decisions Based on Facts
  - One Team Refresher
  - Re-engineering
- Continuous Improvement program has resulted in $53m benefits to date across the division

Case study: Commercial Banking System (CBS) & business processes

- 16 countries forming part of ANZ's international network
- Rich diversity of cultures, businesses, time zones & geographies
- Multiplicity of hardware components, solutions, processes, forms
- Variety of business operating models

ANZ's approach:

- Holistic standard Business model developed embracing:
  - Organisation
  - Processes
  - People including values & behaviours
  - Management systems
- Comprehensive approach to change incorporating:
  - Network integration
  - Operating Efficiency
  - Service excellence
  - Network Leverage

CBS case study: As much about business change as system change

CBS Countries

Bahrain	Pakistan	Tonga
Bangladesh	Papua New Guinea	United Arab Emirates
Fiji	Qatar	Vanuatu
India	Solomon Islands	Vietnam
Jordan	Sri Lanka	Western Samoa
Nepal		

- 200 staff on project, 8,000 staff impacted via business process changes
- Development & implementation of a common/standardised business model for 16 countries
  - Involved the replacement of each country's existing systems & reengineering of their operation
  - Methodology refined through comprehensive piloting

CBS case study: Implementation timeframes

Site*	Implementation Time Frame	Examples
Green field	4 - 6 months • Minor application changes	• Wholesale Business
Small scale • 20,000 accounts • 1 - 14 branches	5 - 6 months • Minor application changes	• Bahrain, Solomon Islands, Tonga, Vietnam
Medium scale • 100,000 accounts • 10 - 20 branches	6 - 9 months • More substantial application changes cause drift to 9 months	• Bangladesh, Papua New Guinea
Large scale • 800,000 accounts • 40 - 60 branches	12 months • Larger conversion effort required substantial application changes	• India

Issues / Observations:

- Complexities faced included: regulatory reporting, systems interfaces, product depth and communications & hardware logistics
- Significant development time frame benefits through standard approach

* Site categories are indicative & based on ANZ experience

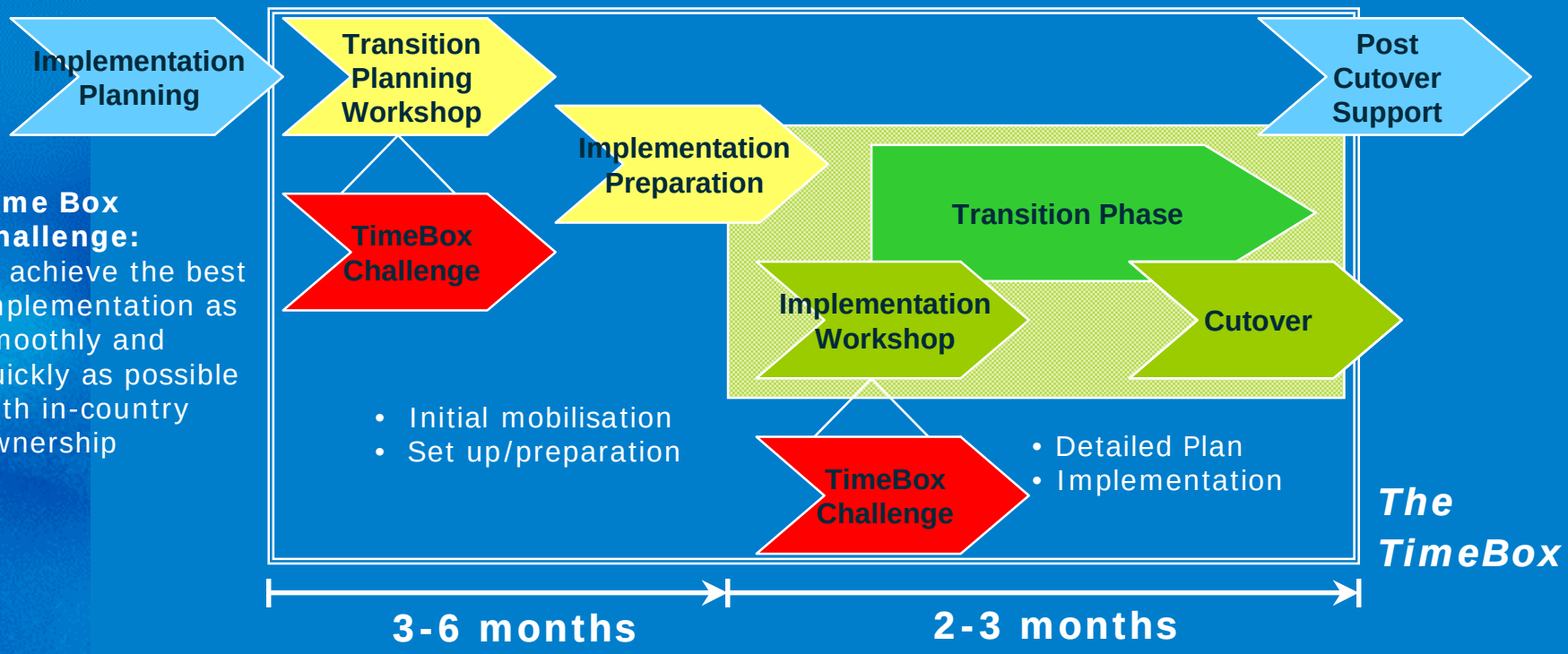
CBS case study: Standard core technology customised to local conditions

Category	Flexibility Provided	Examples
• Market Place	• In country capability to tailor product offering	• Fees, margins, rates, other charges
• Cultures, customs and heritage	• Varied practises in specified areas	• Islamic Banking language used in correspondence
• Industry Operation	• Payments and clearing interfaces	• Clearing house interface • Dishonours procedures • Geography / zoning
• Regulatory	• Tailored reporting and interfaces	• Taxation, FX exchange & central bank reporting • Finance and MIS
• Technical Integration	• Generic interfacing approach	• External leasing system • Legacy systems

Issues / Observations:

- Flexibility of this kind has to be anticipated & designed
- Local skills & knowledge are still required despite the common model
- A ‘vanilla’ solution is always the first option
- Minimise non-standard systems & interfaces to simplify testing

CBS case study: Country / business conversion model



Time Box Challenge: to achieve the best implementation as smoothly and quickly as possible with in-country ownership

Detailed and Standard Approach/ methodology incorporating work-streams of:

Communication	**Management Systems**	**Process and Product**
Training	**IT Infrastructure**	**Implementation Management**
Human Resources	**Applications and Interfaces**	**Conversion**

Outcomes: Program to date

2002: Simpler infrastructure

- 2 core systems
- Single IP Network
- Rolling out to a standard Win2000 desktop
- Unix & AS400 rationalisation
- MAX to 19,000 staff
- Established strategy for standardisation and re-use

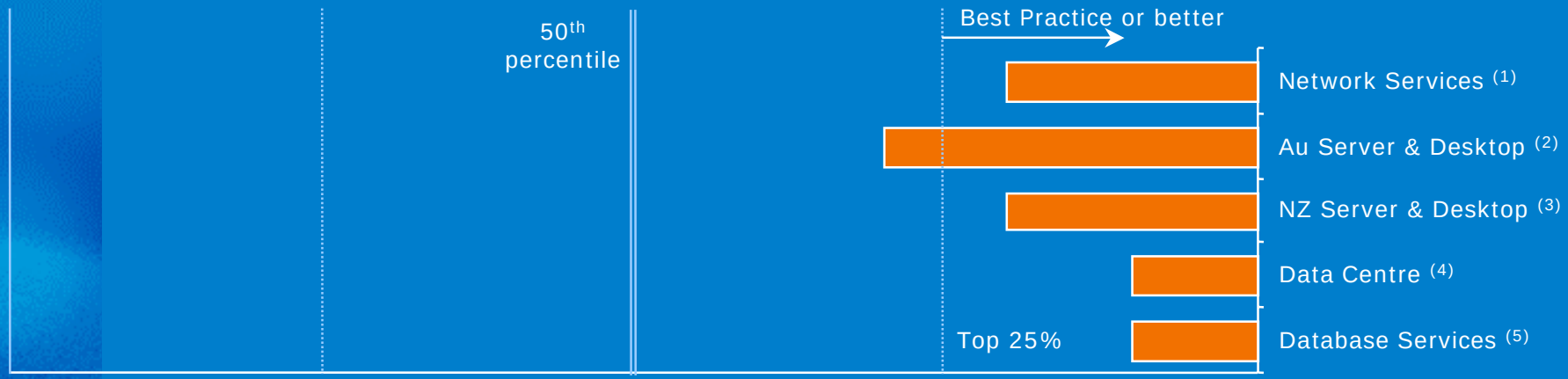
2002: Improved Processes

- 510 staff through Project Mgt program
- New Processes - PiaB, One Team, CMM, Niku, RAD
- Technology costs defined and regularly reported
- Technology governance, standards & policies
- Detailed billing

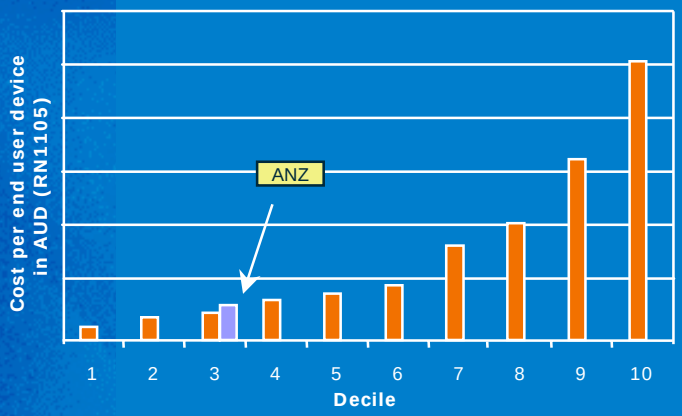
- World class in selected areas
- Simpler infrastructure absorbing significant increased volumes
- Declining technology expenses

Outcomes: Benchmarks show us at or near global best practice in many areas

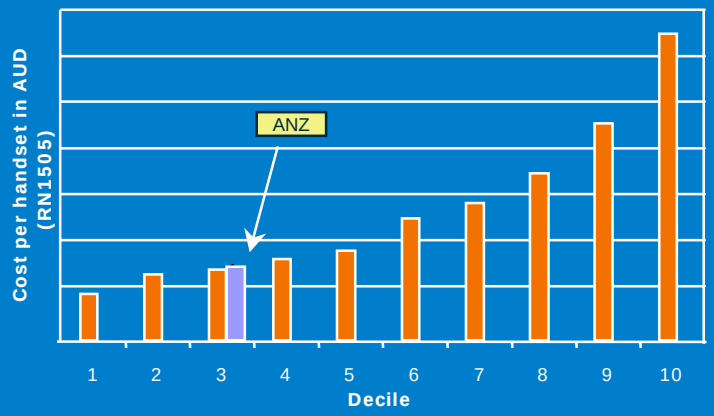
Global performance benchmarks



Decile Distribution - Data Network Cost



Decile Distribution - Voice Network Cost



- Unit costs without telecommunications carrier costs
- Dataset grouped in deciles
- Shows ANZ position versus Database average (1)

Sources: (1) Compass Consulting (2) Compass Consulting (3) Gartner (4) META (5) META

Critical Success Factors: Lessons learned

- It's not easy & it takes high levels of tenacity & resilience
- Get senior executive – from CEO down – sponsorship & involvement throughout the process, particularly at the outset
- Ensure traceable & explicit linkage to business objectives & financial returns. Communicate & demonstrate direct tangible business benefit along the way if possible
- Provide for a governance & funding model to secure funds for cross Business Unit initiatives

Critical Success Factors: Lessons learned (cont)

- Address the infrastructure ‘foundations’ first: consolidate, rationalise & standardise
- Focus on standard solutions wherever possible, however, it’s not always ‘one size fits all’. Standard technology must provide the flexibility to customise to local conditions
- Adopt an holistic standard business model & standard execution methodology wherever practical
- Once implemented, actively search for ways to continually improve the processes & technology

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