



## STRESS, DEPRESSION AND BULLYING AT COMMONWEALTH BANK

July 1, 2014 Adele Ferguson, Ben Butler

**CBA tellers driven to despair by hard sell.** Explosive new survey reveals the pressure faced by bank tellers to chase sales targets is leading to fraud at the CBA. *Photo: Dominic Lorrimer*

Pressure on bank tellers to push customers into Commonwealth Bank financial products such as insurance and managed funds is causing stress, depression and bullying, according to an explosive new survey of staff. The survey obtained by Fairfax Media says the pressure of chasing sales targets is also leading to fraud at the bank.

Conducted in May by the Finance Sector Union, the survey found that arbitrary performance targets linked to sales and customer satisfaction had resulted in "broken pay models" and "an erosion of trust". The findings come as the Commonwealth Bank reels from a damning Senate inquiry into widespread misconduct in its financial planning division, which culminated in a recommendation for a royal commission.

FSU national secretary Leon Carter said 800 bank staff were interviewed for the survey in response to "repeated nationwide reports of workers at CBA experiencing stress at work". He said CBA was the "biggest and the baddest" of the banks. "Staff have to up-sell and on-sell products and services and debt to consumers to maximise profits for the bank." CBA is set to make a record profit this year of more than \$8 billion. It is renegotiating its enterprise bargaining agreement with the union.

A CBA spokeswoman said the bank disagreed with the union's "flawed" survey, which was part of the union's EBA campaign, took the wellbeing of staff seriously and encouraged whistleblowers to come forward in the bank. More than three-quarters of staff surveyed said they felt stressed about achieving their targets and more than half said they had to work overtime to achieve their targets. A Victorian-based staff member said linking sales and pay was "a broken system that can't be repaired" and was inappropriate given the trust customers place in banks. In Queensland, a staff member said they recently discovered "again" staff were falsifying credit applications, which was "widespread in our area".

The staff member said it was brought to the attention of management, who already knew about it. "Is this not fraud ... Don't we get dismissed for this conduct? No satisfactory answer was given." "When people are under pressure to achieve targets they will do these things," the staff member said. The CBA said it was "urgently" investigating the allegation.

The report comes as the Coalition introduced regulations to water down reforms to financial advice, effective from Monday. More than half the staff surveyed said they did not know how targets were set. One staff member said: "Sadly the decay of CBA is upon us. In my branch there is not one staff member that feels satisfied with their job," another said. "It is becoming more and more exhausting trying to get targets and with the stress our customer experience score [customer satisfaction rating] is falling."

Mr Carter said staff were subjected to a league table, sometimes in the form of a whiteboard in the office. A staff member in Victoria said "I hate the new visual boards ... they make it feel like a board of shame if you have not hit your revenue for the week." Another said "When you are the only one that cannot contribute to the team \$\$ it makes you feel bloody awful especially when it's on the whiteboard."

A former CBA financial planner and whistleblower Jeff Morris, who warned the corporate regulator in 2008 about a financial planning scandal in the bank's planning division and left the bank last year, said: "A lot of the problem stems from the American Cohen-Brown sales drivet that has permeated the organisation in a quest for sales and profit at any cost." "The poor staff get no respite: sales meetings, videos, weekly 'Big Fives' and ritual humiliation on the 'Whiteboard of Shame' at the end of the week for the 'underperformers'."

<http://www.smh.com.au/business/cba-tellers-driven-to-despair-by-hard-sell-20140630-3b4ca.html>



## CBA DESPERATELY SEEKING SOOTHING

July 1, 2014 *Colin Kruger Business Day*. Illustration: John Shakespeare

Bank chief of the year, Commonwealth Bank's Ian Narev, has finally woken up to the seriousness of the bank misleading the corporate pup and a Senate inquiry over its financial planning fiasco.

CBA is advertising for a new government relations chief to smoke the peace pipe with Treasurer Joe Hockey and other malcontents in Canberra. According to the ad on Seek, the lucky CBA applicant will be part of a team that "advances and protects CommBank's interests by engaging with federal and state politicians and senior bureaucrats to adopt policies that are aligned with CBA's strategic and commercial interests and to minimise the risk of adverse regulatory change".

Dare we say the horse may have bolted on the last bit but to head off any further trouble the applicant will also "collect and analyse information about current and planned government, industry and regulator actions". The applicant will have demonstrated skills such as a "strong understanding of the machinery of government, including direct experience liaising at senior departmental and ministerial level".

**Acting the part.** Narev himself is vaguely promising a stronger response later this week in what is sure to be his toughest public performance since his days as a child actor on 1979 New Zealand period drama *Children of Fire Mountain*. Narev played the slightly clumsy scallywag Davie with the trademark line: "Me mum will skin me." In the first episode, Davie sees his gang get framed for breaking a butcher's shop window and makes a blood vow to seek vengeance. Given CBA has not actually owned up to any real wrongdoing - let alone offered any senior exec sacrifices to the baying masses - CBD wonders if Narev will be reprising that particular performance.

**Soft landing.** The legendary feats of Sir Anthony O'Reilly on the business field and rugby field will not save him from the humiliation of bankruptcy it seems. Bad bets on media, including locally listed APN News and Media, played a significant part in his downfall.

At least he won't have to contemplate too many of the harsh realities of financial penury. Sir Tony's two-decade-strong second marriage to Greek shipping heiress Chryss Goulandris O'Reilly ensures the former billionaire will be kept in the comfort and style to which he has become accustomed. Lady O'Reilly is considered one of the savviest breeders in the horseracing industry with a business reported to be worth up to €100 million before her inheritance is taken into account.

**On the spot.** Woolworths South Africa has boldly declared its bid for Country Road as final, which would heap pressure on the Aussie retailer's independent directors responsible for considering the bid if it actually had any. As the company admits in last year's annual report "there are no independent directors on the board of the company as all directors are either executives of the company or its major shareholder and ultimate controlling entity (Woolworths)".

The reason for this is simple. "The cost of ... maintaining additional independent directors are viewed to be in excess of any benefits that may be derived from compliance," says the report. The alternative in this instance is to leave "independent" duties in the hands of the two directors not directly employed by Woolies - Country Road chief Iain Nairn and his chief financial officer, Oliver Kysela.

And CBD is sure they will offer a fearless assessment of the bid on behalf of independent shareholders. "I hope the shareholders of both companies have the opportunity to take advantage of these offers, and (Woolies) is able to reach its goal of acquiring 100 per cent of both Country Road and David Jones," says Woolies boss and Country Road chairman Ian Moir.

Yeah, no pressure boys.

<http://www.theage.com.au/business/cba-desperately-seeking-soothing-20140630-3b485.html>



## TIME FOR CBA'S NAREV TO TAKE THE LEAD

1 JULY 2014 TONY BOYD Illustration: David Rowe

It will be a gutsy move, but Commonwealth Bank of Australia chief executive Ian Narev can this week take a leadership position in financial advice.

He can use the black mark against the bank's financial planning division as a catalyst for adopting the highest standards of professionalism in financial planning in Australia.

All he has to do is pick up on the 10 point industry transformation plan published by Financial Planning Association chief executive Mark Rantall in response to the Senate Economics Committee report released last week. Rantall, who has been campaigning for an improvement in financial planning professional standards for many years, says the fundamental problem with the industry is the lack of minimum educational standards.

The FPA says all financial planners should have a relevant university degree and three-years experience over a five-year period. They should also be required to undertake minimum professional development courses over each three-year period. These requirements would go hand in hand with the restricting the use of the term financial planner or financial adviser under the Corporations Act. It is an indictment of the industry that it is possible to become a financial planner in Australia after doing a two-week course gaining the RG146 qualification. The courses cost about \$2000.

That would not get you a job at the Commonwealth Bank but the fact that it is possible to start from scratch and be offering advice within a fortnight means that planners are a long way from being able to call themselves members of a profession. This is what provides opportunity for Narev to make a difference. As the head of an institution that has 1,800 salaried and aligned advisers, Narev can be a powerful force for change.

The CBA planners provide advice to both CBA and non-CBA customers through salaried employees at Commonwealth Financial Planning and BankWest Financial Advice and self-employed advisers working for Count Financial, CFP Pathways and Financial Wisdom. However, the bank does not impose the minimum standards set down by the FPA. Its certified financial planning qualification is a globally recognised professional standard. About 153,000 people around the world have successfully completed the CFP certification program including 5,500 in Australia.

There are about 18,000 financial planners in Australia and about 10,500 are members of the FPA. There are about 8,000 FPA members who are practitioners. One test of the professionalism of FPA membership is to look at the counterfactual. Only about 2 per cent of enforcement activity by the Australian Securities and Investments Commission have been against FPA members even though they comprise about 50 per cent of financial planners.

The Wealth Management Advice arm at CBA has been transformed since several rogue advisers provided inappropriate advice to customers in 2007 and 2008. The bank has paid compensation of \$51 million so far and Narev is expected to offer to pay more to affected customers when he issues a comprehensive response to the Senate Committee report later this week. Narev will probably use the statement to remind politicians calling for a royal commission and those who detest the integrated financial services model that the big banks do provide certain protections not available with smaller companies providing advice.

They have the capital and financial strength to compensate customers. The conglomerates that dominate Australian financial services must protect all their brands or risk the possibility that failures in one area will affect another. Having said that the CBA maintains the highest customer satisfaction of the big banks in retail banking and recently its financial planning division was given the highest customer satisfaction rating in an industry survey. Nevertheless, Narev has work to do. He needs to put CBA back on the front foot and one way of doing that is to show an industry leading position on raising the standards of professionalism in financial advice.

**NICOLIN LOOKS TO FUTURE.** It would be easy to focus on the negative implications of the \$124.7 million of impairments announced by protection solutions company Ansell on Monday night and ignore the long term benefits of the changes made by chief executive Magnus Nicolin. Earnings per share will take a heavy hit from the impairments, which are to cover the write off of goodwill for a number of redundant products and the closure of a factory on the outskirts of Kuala Lumpur. But the positive aspects of the announcement include the earnings uplift estimates for 2015 and 2016.

The restructure is Nicolin's logical response following a period of expansion that ended with the closure of the acquisition of BarrierSafe Solutions International in January. Nicolin has a good track record having lifted earnings before interest and tax by 60 per cent over the past three years on the back of sales increases over the same period of 55 per cent. The restructure will mean Ansell will now have four global business units, three of which will be focused on business to business. The four units are medical, single use, industrial and sexual wellness.

When Nicolin arrived at Ansell it had 250 brands. He has slashed that number by 100. A key part of the announcement on Monday was news that the SAP enterprise resource planning project in Europe had been implemented on time. Also, the company is taking an \$US18.8 million impairment for its Oracle system in the US as it will no longer be adopted globally. Europe and Asia Pacific will have the SAP system as its cheaper to run.

**FOOTPRINT.** Andrew Formica at Henderson Group will be taking a rest from acquisitions for some time after finally filling the hole in his global footprint with the \$US200 million acquisition of Geneva Capital Management. Henderson already had about \$US12 billion of funds under management in the US but it lacked the breadth of products and the institutional client base to be taken seriously in that market.



Henderson will remain a minnow in the US after lifting its US funds under management by more than 50 per cent to \$US18.3 billion but the transaction is earnings accretive and includes ambitious growth targets for the Geneva management team. The transaction has been structured to provide the team with big incentives to continue performing at a high level. The initial payment of \$US130 million values the existing earnings before interest and tax (EBIT) at 7.2 times. The second tranche of \$US45 million is payable over five years if revenue retention targets are met.

This works involves paying the management \$US9 million a year for each of the next five years with the delivery of another \$US18 million in EBIT. That takes the earnings multiple to 8.8 times. The multiple rises to 9.7 times if the Geneva management meet stretch targets for growing the business in the mid to low teens over the next five years. Meeting those targets will cost Henderson another \$US25 million taking the total transaction value to \$US200 million.

The global funds management industry has seen a couple of deals this year which can be used as benchmarks. Man Group in London paid \$US494 million for Numeric Holdings in June at an EBIT multiple of 10 times. The amount paid by Henderson for Geneva appears reasonable given that Henderson trades at 15 times future earnings. Formica says the valuation placed on Geneva is attractive for shareholders but the motivation for the deal is all about acquiring a business that has the same culture and values as Henderson.

**SHOPPING FOR GOOD INVESTMENT.** The fact that UniSuper has increased its stake in Scentre Group, formerly Westfield Retail Trust, says John Pearce's fear of gearing in retail investment trusts will not stand in the way of buying some of the best shopping centres in Australia.

[http://www.afr.com/p/business/chanticleer/time\\_for\\_cba\\_narev\\_to\\_take\\_the\\_lead\\_twYA37PnPZaT02HLtlomlJ](http://www.afr.com/p/business/chanticleer/time_for_cba_narev_to_take_the_lead_twYA37PnPZaT02HLtlomlJ)