



Alfred Deakin Innovation Lectures

**CREATIVE CAPITAL, CREATIVE STRATEGIES,**  
**COMMUNITY-BASED WEALTH CREATION**

Rob Hunt, Managing Director, Bendigo Bank Group – 6 May 2005

---

In 1994 the Bendigo undertook an evaluation of its future direction – reviewing its strengths and weaknesses and the perception in the market of “the Bendigo”, and of the banking industry in general. We needed to develop a strategy we could implement and which would provide an opportunity for Bendigo to establish a clear point of difference and unique value proposition for customers and communities around Australia. At that stage we had decided we would convert to a bank, after 130+ years as a building society. It was also clear we needed to develop alternative strategies to retain capital and build stronger, more sustainable communities if our organisation was to thrive in each of these market places.

I would like to describe our journey – a journey which has unearthed a range of creative strategies which more closely connect our organisation with our customer base – strategies which produce highly effective business and community partnerships. These strategies are producing significantly improved outcomes for all stakeholders and utilise the attributes of both the neo-classical and community-based business models. And, successfully implemented, these strategies are capable of producing triple bottom line outcomes on a sustainable basis.

We were also well aware these strategies needed to be able to respond to the global market as well as service local needs in each individual community. As the world becomes global, people are inclined to act tribally – and in fact all early communities emerged out of local aspirations and endeavour (as well as local capital) to create many of the local institutions and structures surrounding each community.

Let's start with our 1994 evaluation. This evaluation began taking into account our strengths, the perceptions about Bendigo Building Society (as it was in those days) and the opportunities for Bendigo to establish a different style of banking which would appeal to other communities across Australia. We were well aware that our own organisation grew out of community need for housing – the Building Society being formed by locals to capture savings and provide loans to establish this housing.

Our strengths went well beyond the products and services we provided. We were an integral institution within the city of Bendigo. Our strong country values and country location enabled us to establish an untarnished history in community for well over 100 years. We had built a small, adaptable (nimble) team capable of taking on an alternative strategy for the future. We had a strong customer and community focus, and reliable and functional banking product. We were entering this period of evaluation in a strong position.

However, we were a small organisation and there was little knowledge of Bendigo Building Society outside Victoria. Also, with our intention to move to banking status, we had limited

product range and expertise (outside our savings and housing loan business), limited distribution and coverage – and we too were starting to adopt a conventional approach to expansion.

We needed to challenge this – yet the skills we needed for bank conversion were going to come from traditional banking organisations. Clearly a non-conventional approach was required to create a bank with a very different style and focus.

Our review also led to the origins of banking. My interpretation of history is that banks were originally formed to help build a prosperous village (which becomes an ideal place to run a bank). In those early villages, there would have been parts of the constituency with more capital than they had been able to spend and other parts with great ideas and/or aspirations but little capital. Banks were formed to enable both parties to benefit from the effective use of this capital – rewarding both with improved outcomes.

Our 1994 research showed that customers felt the current banking system was focussed on its own objectives rather than those of customers or individual communities. Certainly we knew that our success was inextricably linked to the success of our customers and communities, so if we could assist the development and success of each village we would secure our own future success. It was our view the new economy and elements of globalisation provided an opportunity for a different model – one closely connected with the community and its aspirations (just as it had been for the original banks back in the 1400s).

This evaluation started to formulate our views about the way we would develop in the future. Having looked at our own strengths, the problems and origins of banking, and the current public perceptions of the banking industry, we turned to the issues confronting all communities around Australia.

Most districts (communities) export capital and have little capacity to retain or sufficient influence to attract capital in their district. There is a reduced proportion of financial capital going into our districts and communities around Australia. We put to communities there would be little future in waiting for others to solve our issues, in needing others to come and bless us, or in running to someone else's script. We believed greater community participation was required and that it would be necessary to develop and implement better capital flow strategies.

We recognised that, for our Community Enhancement activities to be successful, we would need to help re-create more self-reliant communities. Certainly we believed the basic ingredients were all available, although some lateral thinking would be needed. In each community we found no shortage of leaders to involve, unite and engage in the solution. With their help we could strive to improve capital and resource management, improve local involvement, and enhance community capacity.

From our review, we compiled the following list of the ingredients for sustainable communities –

- mobilise, involve and engage community leadership as a whole
- use quality information in decision-making and assessment
- better utilise the community's entire capital base  
(*human, intellectual, productive, financial*)
- reduce the capital drain from our districts (communities)
- produce world-quality product and global-equivalent efficiency
- create environmentally sustainable enterprise and activity

- use technology to open up new markets
- develop capacity to utilise combined buying base
- create an environment for continual learning and upskilling
- always ensure young people are embraced into the activities.

While not comprehensive, we found we could influence a large number of these in each community – but would need a new business model and a true business / community partnership.

Our vision was to build a world-class banking organisation for all stakeholders – a bank focussed on contribution (feeding into prosperity) and with a clear point of difference. We wanted to be more valuable than the banking products provided – capable of making a difference and capable of creating value for all stakeholders. So we set about leading the necessary changes in behaviour and attitude – internally (at the beginning, and this is ongoing) and externally (with our communities, partners, governments and other businesses). We set about building our success through influencing, activating and partnering others – and by being relevant.

I would like to work through a number of the Community Engagement activities undertaken by Bendigo Bank over the past 6-7 years –

- Community Bank
- Community Telco
- Community Solutions
- Lead On Youth Program
- Bendigo Stock Exchange
- Community Sector Banking
- Regional Investment Framework
- Community Enterprise Foundation.

The listed examples provide evidence we can –

- better utilise Australia's resources to improve outcomes – for the communities, for a commercial outcome, and (ultimately) for Australia
- demonstrate the clear availability of leaders in communities around Australia – combining the neo-classical commercial model with our community model to produce sustainable outcomes
- demonstrate that even a bold plan (broken into small doable tasks) can be successfully implemented.

It will not be possible (*given time restraints*) to deal with all of the listed activities – but all utilise the same co-operative and community spirit, wrapped up in a commercial framework, to ensure outcomes can develop sustainability.

Let's start with Community Bank. Around 7 years ago this particular business model and solution was seen as a pipe dream. 142 sites later we have demonstrated that community has something significant to offer.

These individuals communities are the true champions in the Community Bank story. Each community – while utilising the same framework and support – is a little different in terms of their requirements and the motivation around initiating a Community Bank. And for many communities, this is the first publicly-owned business they would have seen launched in their district for many years.

Of our 142 Community Banks, 68 are in Victoria. In our national network, we have 1,100 Community Bank directors and 38,000 Community Bank “local” shareholders. The total capital raised by these communities now exceeds \$65 million – and is used to form and implement their new community enterprise. Community Banks now employ more than 700 staff – and this is in addition to the staff employed by Bendigo Bank to develop and support each new community. Half of the Community Banks are in our capital cities.

Last year Bendigo Bank paid these communities \$50 million as their share of revenue in the community-business partnership. In the current financial year we expect payments through the Community Bank structure to be around \$60 million. And we expect this to rapidly increase in the future as each individual business matures.

Community Bank has attracted 277,000+ customers – and many of the earlier sites are generating local profits and dividends (both for local shareholders and for community). In fact, these community dividends are now being paid on a regular basis in many sites. The important point is that all of these communities were “banking” prior to their Community Bank enterprise, but they are now banking in a co-ordinated and focussed fashion. They are involved in the solution and, thus, are producing improved capital retention and improved local outcomes.

While Community Banking has challenged the individual communities, they have responded magnificently. Equally Community Banking has challenged our own organisation, and some of the traditional thinking about the role of banks. Clearly Community Banking is helping to improve the prospects in each of these communities.

I have included (*below*) a few examples of community dividends now being paid to establish new community assets and/or attributes. These contributions range across donations, sponsorships, scholarships, funding development of new strategies for the region, and enhancing community assets (such as the paddle steamer in Wentworth).

#### Retaining & Building Capital through Community Enterprise

Communities have also purchased fire engines for their local districts, supported schools in their region, community events, two have purchased buses to facilitate movement of people between aged care hostels and community facilities, and established new business centres to attract professional services and essential community facilities back to their district. Towns are also building new community halls – for instance in Henty – where a \$1.6 million new function centre is being established. And the list goes on.

These community dividends are expected to grow rapidly, as local profits increase through each community enterprise. In my presentation (*above*) I have included a couple of other innovative community support initiatives – ie – special advanced driving courses to improve safety for young drivers, and (as a simple example) provision of a set of new football jumpers for youngsters in York WA.

From my perspective, it has been our privilege to have these communities as our partners in solving the first problem (which related to access to banking) – but many other benefits are also emerging. Some of these other benefits are discussed later in my presentation.

### Investing Local Capital to Improve Community

Let's now turn to our Community Telco initiative. While visiting communities around Australia, it was clear to me that every community wanted to be a smart community. However, very few communities have influence over priorities set by the supplier regarding access to the latest services and facilities. And even if technology is made available, this does not create the motivation for the community as a whole to effectively use the new facilities.

Even in my own city of Greater Bendigo, we were not assured of gaining all of the facilities we required on a timely basis – nor did we have the level of competition enjoyed in Australia's major capital cities. We undertook to provide a framework to improve our prospect of becoming a smart city, to produce multiple dividends (shareholder and community), and to improve our prospects regarding access to telephony, bandwidth, and technology. Bendigo became the first Community Telco (as a pilot), with the second established in Ipswich Queensland. Seven other communities have now signed to utilise the community engagement model and to form their own Community Telco.

While Bendigo Community Telco started with 14 of the city's largest businesses, it now has 1000+ local businesses utilising its services. This business has produced a much more competitive market, has achieved a reduction in the unit price for all local users, and is producing solid local profits. The Telco (*which provides these services through a range of suppliers*) provides the entire customer experience and interface, as well as a local community billing facility and technical support for each customer.

This new Telco has produced local employment, is retaining local capital, and is strengthening commitment and connection with the customers to ensure the priorities they want are the ones which gain attention. Since launching the Telco in Bendigo, we have established a new high-tech Business Continuity Centre and back-up facility – which is also generating cash surpluses and has become a valuable new community asset. In essence, we are developing the capability to provide an irresistible opportunity for the supply side to connect with our customer base. This will enable us to play an important role in becoming a smart city, as well as generate local dividends not previously available to our city. To date, Bendigo Bank has funded the development of Community Telco Australia – the model which enables other cities to join this movement – and over time I am sure other cities will join this approach.

### Building Communities' Strategic Position & Retaining Capital

Let's turn our attention briefly to capital availability for small-to-medium enterprises (SMEs).

We have been involved in the re-emergence of the Bendigo Stock Exchange (BSX) – developed to create opportunities for SMEs to gain access to capital to accelerate their development.

Large companies have access through our national world-class stock exchange (ASX). BSX was built to cater for SMEs, community enterprises (such as Community Banks, Community Telcos, etc), and to cater for value-exchange requirements such as the work we are undertaking with Victorian State Government for the taxi licence market. BSX is joining forces with Newcastle Stock Exchange (NSX) to accelerate the prospect of building a strong exchange to support these endeavours. And, although early days, the prospects look promising. Over time I expect investment markets will be looking for such

opportunities, as every large business we know of started as a small business at some point.

### Attracting & Retaining Capital for Small Business & Community Enterprise

The Community Sector plays a very important part in the health and development of all communities across Australia. We have formed a joint venture with the Sector to develop Community Sector Banking (CSB). CSB will concentrate on building product, services and support all not-for-profits across Australia.

CSB's objectives are –

- to improve competition to bank the Sector
- to improve return on capital that passes through the Sector
- to improve utilisation of assets
- to improve buying power
- and – utilising benefits derived from these activities – to enhance the Community Sector's capacity and resources.

By Sector members utilising CSB they will –

- share in the profits generated within the JV banking structure
- work together with Bendigo Bank in developing commercial solutions for servicing their constituency and enhancing the social fabric in communities right across Australia.

CSB is already generating monthly surpluses and investing in many new and innovative activities.

We have also launched a Micro-Finance pilot with the Brotherhood of St Laurence. Early signs indicate this is a highly effective way to support people into the finance system – while building their credit rating, and assisting them to acquire essential products and services.

Lead On is a community engagement model that unites, involves, educates and encourages young people to take part in real-life community and business prospects that enhance their own skill base and the community as a whole. Lead On enables each part of community to fully understand the valuable resources available to them, and to improve the prospects by utilising those resources towards achieving better community outcomes.

While we have great educational organisations, great business activities, strong youth programs and a broad range of community activities – these are rarely connected and therefore do not benefit from a collective approach (as facilitated through Lead On). Our young people are not one bit afraid of the new economy, and yet we exclude them from the majority of discussions around the future of each of our communities. Bendigo Bank was initiator of the Lead On framework and is key sponsor of both Lead On Australia and many of the individual sites – partnering State and Federal Governments in rolling out 12 sites in various communities across Australia. There is much more I could say about the benefits of Lead On – but time today does not permit.

### Enhancing the Community Through Our Youth – Effective Use of Human Capital

Next let's look at our Community Enterprise Foundation (CEF). We recognised the need to provide an effective gifting framework (with minimum administration cost) to most of the

communities in which we operate around Australia. We developed a distribution model enabling our perpetual trustee company – Sandhurst Trustees Limited – and the Bank’s distribution network to support the establishment of such a foundation.

Clearly we needed to cater for the desire of Community Banks to tax-effectively gift to their communities. Equally, Bendigo Bank’s gifting across all communities could be co-ordinated through the foundation framework – and we would be able to guarantee that 95 cents in every dollar would find its way through to the priority community activity or individual charity.

In effect, the CEF provides a gifting structure to each community in which we operate. It ensures local moneys can (and will) stay local and will be dealt with in accordance with the priorities set by locals (if this is required). And of course the trustees of the CEF will ensure administration is kept to a minimum, and that all gifting adheres to the charter and regulatory requirements. The important point here is that locals are involved and (if it is their desire) they can ensure funds stay local.

### Retaining & Attracting Capital in Community

Australia’s character is essentially influenced by its considerable diversity, and the size of (and distance between) its towns and cities. To retain this character we need to have strong and vibrant communities right across our continent. In our view, we need to invest to ensure communities are able to cope with changes demanded by the new economy, and in order that each town and city across Australia is given equal opportunity to contribute to Australia’s success. We feel communities have much to offer if we focus on building their capability to contribute.

Many of our community enterprise models are true business and community partnerships – and they are working. They apply community and co-operative spirit, but in a strong commercial way to ensure they are sustainable. But – beyond the financial elements – they are also producing many other outcomes which will strengthen community and enable them to contribute to our country’s success.

So what is “community enterprise” producing? It is –

- retaining local capital
- improving local competition
- building local competencies
- lifting the confidence levels
- certainly lifting the commitment to work together to create improved outcomes
- introducing the prospect of identifying and developing local champions for all of these community activities
- fostering co-operative and community spirit.

A strong collaborative approach is also sending a very different message about community and its capabilities.

In the next 10 years, I would hope we will see strong community enterprises existing right across Australia. We will see more united, engaged and focussed communities who are creating solutions for their market place to cope with the increasing competitive environment. We will see additional services able to be provided on a proper commercial

basis – and the commercial principles used in building the solutions will have added significant new competencies in each market place.

We will also see recognition across business of the need to be relevant and contribute to the health of the market place – if we expect continuing support from customers in those market places.

We would hope Bendigo Bank will be more valued than other banks in each community because of the commitment and contribution we can make – beyond our own business.

We think it is a given there will be more active local leadership and strong youth engagement programs at work in each community. And certainly – if community is able to respond to these challenges – we will see no-one taking community for granted.

In my view, future communities will be what we design and – by working with the locals (and not waiting for others to design the framework) – we will be producing much improved community dividends. At times we must “think global” – but we must also “act local” to secure our local communities and the social fabric essential for healthy community. Successfully implementing our strategies will produce (as a natural outcome) a triple bottom line.

Corporate and social responsibility will be fulfilled through our standard approach to business. People and organisations who really understand how to involve their staff, customers, communities and their districts in implementing such strategies will be the ones best equipped for a successful future. Strategies that enhance the prospects of communities will create a great environment for business to conduct its own activities.

Community, in my view, is extremely important – particularly for Australia – and active local involvement and successful business and community partnerships are critical.

So I put to you – are

- Community Banks
- Community Enterprise Foundation
- Regional investment structures
- Community Telco – etc

merely about banking, finance and technology?

I think not. I believe they are about building stronger and more sustainable Australian communities and, therefore, a more capable and stronger Australia. It is also building a stronger business and prospects for Bendigo Bank.

This has been only a small snapshot of the activities being undertaken within our organisation and within communities around Australia. But it does provide evidence that, by utilising innovative strategies and creative capital options, we can produce improved community outcomes and increase both the wealth of communities and their contribution to Australia's economy.

I put to you –

- Communities in Australia are important and can respond to the global market
- Business and community partnerships work – if the motives are aligned
- A business model taking into account community needs and aspirations, while adhering to strong commercial principles, can produce improved outcomes for all stakeholders.



Bendigo Bank aspires to be an organisation which is more valuable than the sum total of the products it provides through its branches. Building the capacity of communities also enhances the prospects of success for our own business. It also demonstrates that “doing the right thing” and creating “good business” outcomes can be absolutely aligned. Australia needs active, innovative communities right across the continent to contribute to (and benefit from) the ongoing growth of the Australian economy.

The communities we have partnered are the true champions depicted in many of these stories. They have been taken outside their comfort zone into a business model which has not been utilised before for this style of community-building activity. We are proud of each individual community – and I am proud of my organisation – for the way they have responded to the challenge.

Many other initiatives are planned for the future to strengthen our connection with our customers and communities, as well as improving their prospects of success. We are confident this will reflect in strong, commercial benefits for our shareholders – and all stakeholders – well into the future.

---

Rob Hunt  
Managing Director  
Bendigo Bank Group

Alfred Deakin Innovation Lecture  
Melbourne – 6 May 2005