Commonwealth Bank of Australia
Better Banking through IT Innovation

Commonwealth Bank of Australia (CBA) is the largest company listed on the Australian Stock Exchange and the largest retail bank in Australia, with a presence in New Zealand, Europe, and the Asia-Pacific region.

When Michael Harte joined CBA as CIO in 2006, the bank’s CEO Ralph Norris had set sights on CBA becoming both #1 in customer service and having the lowest costs in class. Digitization was rapidly changing customers’ expectations of banking and creating opportunities for technology-savvy organizations to develop profitable new products and services. Yet CBA’s existing IT operation was costly, relatively inefficient, and at times unreliable. A business-oriented CIO, Mr. Harte quickly saw a need to transform the bank’s IT so that it could become a driver of business value instead of a cost center.

Mr. Harte’s vision led to CBA’s partnership with the MIT Center for Information Systems Research (CISR), which conducts field-based research on issues related to the management and use of information technology (IT) in complex organizations. As a result of this partnership, MIT Sloan faculty and program designers at the Executive Education Office developed a custom program to help turn CBA’s IT leaders from functional managers to strategic thinkers and partners in the business organization, enabling innovations in products and services. “We designed a program around what the bank needed to achieve in three to five years. It had three components that today’s banks must have to be successful – one was effectively managing digitization or IT; second was strategy options for the company; and the third was organizational change,” explains Peter Weill, Senior Research Scientist and Chair of CISR, and the faculty director for the program.

Forty of the bank’s senior IT executives came to MIT for the first week-long program, which became a model for a subsequent series of programs delivered for another three years to hundreds of CBA employees in Australia – both within IT and operations and across the bank. MIT Sloan faculty and Executive Education staff worked with the program sponsors at CBA to maximize the time and effort required to deliver programs most efficiently and effectively on the other side of the world. To do that, a pairing of programs ran simultaneously for a week, with faculty switching between classrooms to deliver content to as many people as possible without compromising smaller
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“We have turned our functional managers – who had been focused on projects, applications or engineering concerns – into strategic leaders who can make decisions around value and who can see how each and every step we take is directed toward the customer.”

Michael Harte
Group Executive, Enterprise Services
Chief Information Officer
Commonwealth Bank of Australia

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the IT managers, engineers, or scientists in your organization can learn to think strategically about your business.

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class sizes that enable a collaborative environment typical of such programs. MIT Sloan Executive Education staff trained on-site facilitators to support the faculty and participants, and were available around the clock to provide support from Cambridge as needed.

Typical of MIT Sloan executive education, the program was very content-rich, with senior faculty teaching principles of operating models, enterprise architecture and IT governance, change management, and demand-side marketing. In addition to exposure to the cutting-edge MIT Sloan research, participants worked on action learning projects in groups, generating and developing ideas for the bank with coaching and mentoring from faculty. Many of those projects were successful in helping the bank make better decisions about existing businesses and services or new innovations that they were contemplating. Some of these projects reportedly resulted in significant business outcomes, especially around IT architecture and vendor agreements. The program’s content and structure evolved over time to meet the needs of the client. “The longer the program went on, the more applicable action learning projects became, as faculty became more familiar with the bank’s real-world challenges and became true collaborators with the bank’s managers,” says Duncan Simester, Professor of Marketing at MIT Sloan School and one of the three senior faculty on the program.

To engage the whole bank in the transformation efforts and education, members of the Board visited MIT Sloan and met with faculty in a day-long program. “This was one of the most active and insightful Boards I have worked with on issues of digitization” reflects Weill, adding that “it was tremendously helpful in setting the next stage of the education work.” In an effort to encourage closer collaboration between the bank’s IT managers and business executives, a two-day summit was held in Sydney, Australia where the bank’s business executives could learn from and develop a relationship with MIT faculty, just as their IT peers have. A version of the program included CBA’s technology vendor partners, companies that often compete with each other for the bank’s business. The experience proved a success, as participants engaged in an open education experience.

“One of the key benefits of our engagement with MIT Sloan was getting an international perspective and expertise from a premier management research institution outside the Australian market,” says Anna Sparkes, Executive General Manager, HR Strategic Support, who served as the primary liaison between CBA and MIT during several years of the program. This successful partnership could not have been possible without the continuing commitment and support on the part of the bank’s senior leadership. “The positive feedback we’ve received from participants in this program gave the bank’s senior management and the board confidence in continuing to invest in large business transformations,” says Sparkes, adding that “it changed the way we do business and put us well ahead of competitors in Australia.”

In 2010, CBA achieved its bold 2006 goals with a top ranking in customer service in many areas and a cost-to-income ratio of 40 percent. According to a report by the Boston Consulting Group, CBA was the ninth-top-performing bank in the world from 2005 to 2009, in the top 10 by market capitalization in 2010. In 2012, it was ranked the twelfth-safest bank in the world by Moody’s, Standard & Poor’s, and Fitch Ratings.