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BUILDING CORE IS CAPABILITIES FOR BUSINESS CHANGE: THE COMMONWEALTH BANK CASE

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Abstract

This teaching case provides a practical illustration of the challenges of managing IT outsourcing and evolving the IT function’s capabilities, structure, and governance arrangements in a dynamic business context. A central focus is on retained core IT capabilities at Commonwealth Bank of Australia (CBA) in the 1997-2006 period that were needed to gain business value from IT, and IT suppliers. It foregrounds two persistent issues in IT management. First, what are the IT capabilities that must be retained within an organization? Second, how to go about building these capabilities in the context of the business needs as well as maintain and evolve these capabilities?

The teaching case shows the dynamic and evolutionary nature of this process.

The case also allows students to explore several other key IT management issues. The strengths and limitations of large-scale IT outsourcing are examined, how CBA dealt with these, and evolved towards a multi-sourcing strategy. How the IT function needed to change its structure and governance to align with dynamic business context and strategy is detailed. The case also deals with the roles of the CEO, CIO and business managers in leveraging IT performance for business value, the building of project and program management capabilities, and how to organize IT to support a business transformation program. Finally the case provides information to enable students to review the case and invent the future for CBA on these many issues.

Keywords: Outsourcing, core IT capabilities, IT and business alignment, IT structure and governance, managing business transformation, CEO-CIO roles.

1 The authors prepared this case with the support of the Commonwealth Bank of Australia. It is intended for teaching purposes rather than to illustrate effective or ineffective handling of an administrative situation.
Introduction

IT Outsourcing is an established and growing phenomena of today’s business environment. When making outsourcing decisions, organizations are faced with not only the decision of what to outsource, but also, what to keep in-house. This case study examines two persistent issues in IT management: 1) what are the IT capabilities must be retained within the organization, and 2) how to build, maintain and evolve these capabilities?

This case study examines the journey of the Commonwealth Bank of Australia (CBA) over the period 1997 to 2006. CBA is one of the top 5 companies in Australia and is rated as one of the top 25 banks in the world by market capitalization, totaling US$36bn. It provides a full range of banking services to more than 9 million clients with 33,000 employees across four major business units to service the needs of retail, commercial, corporate and institutional sectors. The bank operates the largest financial services distribution network in Australia serviced by more than 1000 branches, 3800 agencies, 3200 ATMs, more than 135,000 EFTPOS terminals, and internet banking services to more that 2.5 million customers.

Today, IT is managed centrally across the group. It has recently successfully completed a US$1.2bn IT-based business change program orienting the business around customer service. Each business unit has a ‘Business unit CIO’ who is responsible for working with the business to identify ways IT can help the business and manage the delivery new solutions. They are supported by two major central groups. The first manages the operational delivery of services from multiple suppliers as well as internal support. The second manages the delivery of new solutions to the business. In addition there are governance and project execution and change management functions.

Over the past ten years, CBA has re-built its IT capabilities since its initial single-source outsourcing of all of IT in 1997 and managed their development in response to subsequent business and IT changes including a large merger, internal restructuring, a move to multi-sourcing and a major IT-based business transformation. We follow the story of the Bank’s CIO, Bob McKinnon, who took over mid-2000 following the large-scale single source supplier IT outsourcing in 1997 and subsequent two-year transition. At this time internal capabilities were depleted and we examine how he consciously adopted a core IS capabilities framework and started to build internal IT capabilities in the central IT team and then across the group between 2001 and 2002. In 2003 and until 2005, when the major IT-based business transformation was underway, we examine how this placed new demands on the IT group, in particular from the business units, to deliver the business change. By the time McKinnon left the Bank at the end of 2005 to eventually take a CEO role in the industry, there were significant capabilities built across the Bank, providing the new CIO with new challenges of how to organize and leverage them to deliver focused execution to the business.

Large-Scale Single Supplier IT Outsourcing (1997-2000)

Our journey with CBA begins in 1997, when they entered into a 10-year $US3.8bn single-source equity joint venture deal with EDS for all IT services to seek improvements in IT cost control, performance, and innovation. EDS had been eager to get a prestigious client based in Sydney, its only other major Australian client at the time being South Australia Government. It had agreed to slim profit margins, believing that money could be made on additional services.

Internally, CBA retained a group of 35 IT staff to manage the contract and maintain control of its strategic IT direction. This function, led by the CIO, reported to the head of one of the business units. Of the team of 35 people, approximately half were retained from the internal function including the heads of Service Delivery, Transition Management, and Relationship Management. The other direct reports of the CIO were new, including the Financial Manager, Contract Manager, Technology Strategy Manager and Value Add Manager. This process introduced new experience and capabilities into CBA. For example, the Finance Manager brought audit experience from a major accounting firm.

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By early 2000, the two-year transition to the new vendor arrangements was completed and good progress had been made on the outsourcing objectives of controlling costs and improving service levels. After nearly three years, however, many of the internal IT staff had left, including the then CIO. At the same time, CBA was undergoing significant changes with the announcement of a US$8bn merger with Colonial Bank to grow its insurance and investment business and was taking its first steps towards multi-sourcing with the appointment of a specialized telecommunications provider – Telecom New Zealand (TCNZ).

The new CIO, Bob McKinnon, was appointed in August 2000. McKinnon conducted an initial set of discussions with the business to understand their business and IT challenges. It was clear that despite overall cost and service improvements, there were significant relationship pressures between and within the individual business units, IT function and vendors. First, there was poor coordination between business units of IT needs that was resulting in loss of scale and integration of systems as businesses built individual systems for their own needs. Second, there were poor governance arrangements between the IT functions with a lack of clear decision accountabilities between central and the emerging business unit IT functions – in particular those acquired through the Colonial merger. Third, disputes were arising on contractual boundary issues between EDS, TCNZ and other third party suppliers. Finally, there was tension between the Business, internal IT functions and suppliers, with a sense that the outsourcing arrangements were either not delivering the services as promised as EDS sought to drive the account to profitability, or, they were constraining the businesses ability to deliver change. As described by one respondent:

“... being distracted by Y2K and other bank integrations, we basically had no capability to manage service performance or the performance of the service providers, in terms of their obligations, as we had established them” (CBA service delivery executive)

**Phase 1: The Move to a Core Capabilities Model: (2000 - 2001)**

Recognizing the need to strengthen Group Technology, McKinnon looked for best practice models for managing large scale IT outsourcing deals. This led to a conscious adoption of the Feeny and Willcocks (1998) core IT capabilities model. This framework identifies four strategic interrelated competencies (business, technology, sourcing, and governance), and nine capabilities for high performing IT functions (see Table 1).

<table>
<thead>
<tr>
<th>Capability</th>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership</td>
<td>(L)</td>
<td>Integrates the IT effort with business purpose and activity</td>
</tr>
<tr>
<td>Informed Buying</td>
<td>(IB)</td>
<td>Manages the IT sourcing strategy to meet the needs of the business</td>
</tr>
<tr>
<td>Business Systems Thinking</td>
<td>(BST)</td>
<td>Ensures that IT capabilities are envisioned in every business process</td>
</tr>
<tr>
<td>Relationship Building</td>
<td>(RB)</td>
<td>Gets the business constructively engaged in operational IT issues</td>
</tr>
<tr>
<td>Contract Facilitation</td>
<td>(CF)</td>
<td>Ensures the success of existing contracts for external IT services</td>
</tr>
<tr>
<td>Architecture Planning and Design</td>
<td>(AP)</td>
<td>Creates the coherent blueprint for a technical platform that responds to present and future needs</td>
</tr>
<tr>
<td>Vendor Development</td>
<td>(VD)</td>
<td>Identifies the potential added value from IT service suppliers</td>
</tr>
<tr>
<td>Contract Monitoring</td>
<td>(CM)</td>
<td>Protects the business’s contractual position present and future.</td>
</tr>
<tr>
<td>Making Technology Work</td>
<td>(MTW)</td>
<td>Rapidly trouble-shoots problems which are being disowned by others across the technical supply chain</td>
</tr>
</tbody>
</table>
An initial assessment against the model in July 2001 showed that the strongest internal IT capabilities sat within the Contract Management function. (See Figure 1 – in the scoring system, ++ is ‘very satisfactory’ while - - is ‘very inadequate’. (-) relates to serious IT problems being experienced. (- -) indicates these escalating to being serious business problems as well. The relationship was being driven from a contractual standpoint without the necessary Contract Facilitation or Informed Buying capabilities. This was damaging any Vendor Development capability. Whilst a relationship management team was in place to build the relationship between GT and the business, their focus was being dragged into contractual disputes, creating a void in Relationship Building and Business Systems Thinking. The limited number of retained staff who understood the complexity of the existing systems, combined with the small number of technical architects, left the bank with a deficit of Making Technology Work and Architecture Planning capabilities. Leadership, however, was seen as strong, with a new sense urgency driving the need to rebuild the Bank’s internal capabilities.

The Bank also had pockets of project delivery capability (which had mixed success) that had to interface with EDS in later integration phases of projects. There were no formal engagement or management protocols to get positive and predictable delivery results.

The core capabilities model was used as the basis for McKinnon to restructure Group Technology and to formally define their roles and responsibilities. The new structure identified 4 key areas: service delivery (how services were delivered – CM and MTW capabilities), demand management (coordinating business unit needs – CF capability), architectural planning (to define how the services were to be built – AP/ RB capabilities) and Value add (how to generate new value and who to get it from – IB capability). In addition, two further areas were defined as support functions for the CIO: Finance and Project Management. Business Systems Thinking capability was seen to be needed to be built within the business units. Responsibilities were assigned in such a way that no individual was expected to have to more than two core IS capabilities to perform their role, in addition to IT leadership and governance (Figure 2).

McKinnon espoused the desired high performance culture, including being a small team of high caliber people (around 50), a centre of IT excellence and leadership that attracted and retained the right people. This was set out to be achieved through:

- an open, flexible workplace
- challenging career opportunities
- a focus on personal development
- competitive (above median) remuneration
clear roles, responsibilities and accountabilities

good people attracting good people

Building Capabilities

Additional resources were recruited to fill in the structure including a new head of service delivery, appointed in November 2001. He quickly recognized the need to work with the service provider every day to have oversight and input to fundamental IT management areas. A two step process of building internal capability was implemented. Step one was oriented to around day-to-day service performance. The first step focused on day-to-day certainty of service performance:

“So our focus was on operations. I employed three or four really capable and experienced operations management ‘thugs’ and I put them on-site with the service provider on the basis that if I was going to be accountable for the outcome in some way, I needed to have some oversight of the input, but do that in a way that did not compromise the service provider” - Head of Service Delivery.

Step two was more commercially focused creating the capability to understand what CBA was buying to put in processes to ensure that the bank was getting the services as prescribed by the contract and value for money for new services. The sort of people recruited into these roles had a depth of commercial and technology experience that allowed them to understand some of the behavioral implications of the commercial contracts put in place. A ‘tower manager’ was appointed to manage each service delivery area, such as central processing, telecommunications, and desktop services. These managers provided an internal capability to understand the long-term design implications of what was being done, the commercial consequences of the technologies that were being deployed and to run benchmarking to give an understanding of value.

A new direct report to the CIO was appointed, an ex-partner from a Top Five consultancy firm, to head the Demand Management capability. This role was internally focused, working with the business units to help them articulate what they wanted, understand what else was being done and how to get best business value from IT.
“So before I took over, no-one actually managed the demand and looking for consolidation, prioritization, efficiency, all those type of things. It was all about an order-taking point of view… I had to change what they were doing, I had to take them up the food chain to be genuinely relationship managing, rather than just being the person you call when you want a new PC; the need was to take an holistic view” – Head of Demand Management.

The Head of Architecture Planning/ CTO built his team up to around a dozen people mostly from external recruits, including a chief architect recruited from a competitor Bank who later took over the CTO role. An exception was the head of IT Security, who was recruited from the internal audit team. The team was organized into Enterprise Architecture, Business Systems Planning and Security.

The focus remained around facilitating the development of the IT Strategic plan in alignment with the business strategy. During each of the Bank’s business planning cycles, an extensive alignment process was conducted with all business units to coordinate proposed IT investments, remove duplication and fund IT infrastructure. Monthly updates were provided to the Bank’s executives, highlighting progress and individual project contribution to the enterprise IT architecture. Over time, the IT Governance role was moved from Architecture Planning group to a new group under an ‘Office of the CIO’ incorporating the Finance and Project Management functions as well as responsibility for the further development of the IT management model.

The value-add and strategic sourcing functions had been repositioned under the Head of Service Delivery. By August 2003, a project plan for the implementation of the sourcing strategy had been approved by the ETC and was in development to provide a systematic plan of action of what IT services to buy, how these services were to be bought and who they were to be purchased from. However, capabilities in this area were gradually absorbed into developing the new sourcing strategy. In this process ‘value added’ opportunities were essentially forgone as the priority fell on developing a new contract with improved incentives and alignment to bank goals. At this stage relationships with the suppliers were running into problems over their performance, and a multi-sourcing strategy was being talked about for when the outsourcing contracts came up for renewal in 2005/6.

The new role of Head of Project Management was filled by an external resource with strong project management background and training, including a PhD related to project management. He recognized that the Bank relied on the supplier for much of its project delivery resources and management, with only a supra-level supervision from the bank. The supplier had access to many delivery methodologies – most too complicated for the bank’s needs. A program – ZIP - was set up as an “across Bank-EDS engagement process for projects”.

“By engaging all interested parties it had the advantage that the bank and its suppliers had a common framework to run projects with good governance, high predictability to get better repeatable and consistent results with a lower degree of risk of failure” – Head of Project Management.

However, while the need for project management capability in the Group IT function had been addressed, this was to prove inadequate in the light of only patchy project management capability spread through the businesses, and the CEO’s late 2003 announcement of business transformation initiatives highly dependent on IT for their success.

**Phase 2: Extending Capabilities for Managing IT across the Group (2002)**

While building Group Technology internal IT capabilities to perform its accountabilities of managing the outsourcing contracts and maintaining control of IT strategy, McKinnon recognized that Group Technology had to play a stronger role across the group. Business units had started to establish IT functions, inherited them from the Colonial merger, or grown via subsidiaries, or were simply filling capability gaps.

The first action was to establish a monthly Executive Technology Committee (ETC), chaired by the CEO and attended by each group executive and the CIO. The ETC role was to agree IT strategy, track progress, and resolve cross-organization strategic IT issues. One of the first agreements of the ETC was a set of IT principles that provided guidelines for the way IT should be managed in the CBA (Figure 3).
Under the sponsorship of the ETC, three cornerstone strategies were developed to address the capabilities required by CBA to enable its corporate business strategy. Each of the strategies was oriented around specific competencies. The IT Strategy was facilitated across the business heads to develop a consistent view of customer requirements in 3-5 years and define an enterprise IT architecture to work towards. The enterprise IT architecture, along with its supporting policies, processes and standards, guided IT decision making across the bank.

An IT sourcing strategy was defined by the end of 2002 which included a staged plan of activities in preparation for 2005/6 contract renewal. The IT Sourcing Strategy integrated much learning from the first three years of managing the IT agreements including:

i. In addition to retaining accountability for certain functions, capabilities needed to be retained for managing and executing responsibilities related to these functions.

ii. Do not stretch vendors beyond their competency. In an environment of trying to maintain a single point of accountability, often the existing vendor was being driven to do things outside their core competencies.

iii. Vendor must be managed to deliver solutions that preserve the architectural integrity while optimizing for flexibility and cost. This ensures returns to scale where able to be achieved and appropriate.

The IT Management model provided a framework for decision-making and managing IT across the Bank to achieve optimum value from its technology investments through clarifying the end-to-end roles and accountabilities for the governance and management of technology and to introduce efficient and effective repeatable management practices. At the top level, the ETC (or its delegate as appropriate) was made responsible for decisions on strategy, architecture and policy as well as recommendations related to all service elements for Core Infrastructure. Group IT became responsible for decisions related to consolidated infrastructure vendor selection and delivery management. Business Units were made responsible for consolidating their business systems functionality requirements, implementation planning, design, vendor selection and delivery management (Figure 4 – circles correspond to decision rights, boxes correspond to responsibility to make recommendations, and triangles correspond to responsibility to review the recommendation).
Many of the business unit IT functions were initially set up to perform operational and service tasks. It was often difficult to release their previous responsibilities to reorient themselves to fit in the new capabilities and governance framework. They needed to feel comfortable that they were able to release the decisions or work they had previously done themselves to hand it over to the central IT team or suppliers. Operating this governance structure while reporting to one of the individual business unit heads was problematic without a direct reporting line to the CEO and being seen as a functional unit rather than part of the head-office. In 2002, the CEO restructured to have McKinnon as a direct report, followed in mid-2003 appointing him as part of the CBA’s Executive Committee which also dissolved the need for a separate Executive Technology Committee – integrating technology into the strategic management structures of the bank.

**Phase 3: A Focus on Delivery (2003-2006)**

In September 2003, the CEO decided to accelerate the business change and announced a $US1.2bn cultural transformation program over 2½ years, called ‘Which new Bank’ (WnB). The program focused on excelling in customer service through engaged people who are supported by simple processes (Figure 5). A coordinated set of some 120 projects were assembled including over $US500m IT investment that would accelerate the delivery of the enterprise architecture.

> “Getting the architecture capabilities and through that process putting in place an IT strategy that people can buy into and start building towards was a really important breakthrough. That really helped the articulation of what, in an IT sense’ needed to happen in order to get the ‘Which new Bank’ process going” – Group CIO.

Delivery of CommSee and the many other business projects required CBA to rapidly extend its internal capabilities from its initial focus on IT architecture and IT service delivery in the central IT group to business systems thinking, project management and change management in the business units (in accordance with the management model).

The cornerstone of WnB was a new customer management platform, CommSee, to provide consistent customer information and processes to customer-facing staff in any location. This critical project ($US200m) would deliver major components of the enterprise architecture by integrating all of the different channels (e.g. branch, call centre, and internet), providing a consistent service oriented architecture access to back-end systems, and providing role-based access to applications.

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3 This framework was adapted by CBA from Weill and Ross (2004)

4 A generic discussion of these challenges and the CIO-CEO relationship can be found in Feeny, D., Edwards, B. and Simpson, K. (1997)
This project represented a significant technical challenge. Similar to most financial services organizations, the Bank’s systems had evolved separately for different products, channels (e.g. branch, call centre, and internet), and business units. In addition, the project faced many management challenges. The development team was required to work across all business units to gather and agree requirements, adjust processes, decommission existing systems, and capture benefits. Accordingly, in addition to the technology stakeholders, the project has numerous business stakeholders whose support was necessary for a successful outcome.

Faced with an ambitious timetable and the need to have the CommSee platform in place to support other components of WnB, the CEO made the decision to leverage an existing system developed by an internal team from CBA’s innovative on-line stockbroking subsidiary. This internal team of approximately 60 people brought new capabilities to the broader bank and had a track record of rapid delivery using a combination of decoupling projects into independent components, prototyping, and iterative development. With the strong support of the CEO, the CommSee team rapidly implemented a pilot in Tasmania by February 2004 and scaled up its team to approximately 500 IT staff by mid-2004, culminating in nearly 800 IT staff by the end of the project in December 2005.

The central IT team moved to strengthen its governance role around IT project delivery, beyond the initial process efforts of the ZIP program. This included IT portfolio, program and project management. Portfolio management looked at all asset classes of IT, trying to understand how collectively they added value to the organization while also understanding the individual capabilities that each asset classes contributes. The program office coordinated IT projects across the Bank to defined appropriate project standards.

“We created a project office in Group Technology under the portfolio management area as well... So we have to define end to end how any project with an IT component should be managed in the Bank and how that must interface with what we do from an enterprise perspective when it comes to project management.” (Head of IT Governance)

At the same time, Group Technology had to build its own project management capability for its responsibilities for the delivery of all IT infrastructure projects across the bank (desktop services, telecommunications etc) and the common IT systems that now fell under the management of ‘Enterprise Services’ in Technology Services. This included management of the Bank’s traditional infrastructure as well as shared information systems such as the core customer repository and group data warehouse.

In May 2004, McKinnon recognized the rapid growth of IT staff across the group and need to maintain effective control. He moved to formally centralize IT so that all IT would report into the Group CIO, rather than individual

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*Figure 5. Which New Bank Transformation*
business unit heads. This process resulted in the nomination of ‘business unit CIO’ positions for the retail and premium business parts of business. However, an argument was accepted based, in part, on the focus on WnB delivery and lack of delivery capabilities in Technology Services, that the functions merged from Colonial and delivering CommSee would remain reporting to the business unit Group Executives. This effectively resulted in two large IT groups in the CBA, one reporting to the business executive in charge of CommSee, the other reporting to the group CIO.

Work continued on the sourcing strategy and the IT management model to identify a future model that would provide clarity on the extent of need for internal development capabilities and the appropriate IT organizational model. The TCNZ telecommunications contract was approaching the end of its 5 year term in 2005 and was extended, and components of the EDS deal (central processing and desktop services) were extended with EDS in 2006. Reliance on EDS for applications development and maintenance has continued to fall, with most significant projects being separately tendered to the market or delivered internally. By January 2005 much progress had been made on the massive dual task of managing US$1.0bn per annum IT expenditure and an additional US$500 million transformation spend on IT over 2½ years:

“The bank over the last year has had a level of availability of its systems that it’s never enjoyed. In addition to that, the pricing of services has been driven down and the volume of usage has gone up. There are now 150 people doing service development, service management portfolio management, infrastructure management and delivery. ….If you line up [all of the priorities of the executive committee] with what’s actually happening, you make this huge correlation between the priorities of the IT strategy of 18 months ago and what’s actually happening” - business executive

By August 2005, the CEO was able to announce that the WnB program was making significant progress. Soon thereafter, he retired. At its completion, WnB was delivering over the targeted US$1.2bn benefits per annum and the CBA had reduced its cost-to-income ratio across its business, in particular the largest business unit – Retail Banking that had been reduced from 54.7% to 47.1%. However, it was acknowledged that there was still work to be done on service improvement, and leveraging the new business solutions developed, e.g. CommSee.

Summary

The rebuilding of internal capabilities in the CBA started with the convergence of thinking around a single, shared, model. The Feeny-Willcocks model provided a framework to evaluate the current state and articulate where they would like to be to the senior business executives, internal IT staff and business units. In a resource-constrained world, the framework can help build the case for more resources to manage IT by explaining the capabilities and competencies to be built. It also helps signal to the existing IT function that a new way of working, based on high performance teaming has arrived. Being able to take accountability for and provide transparency of the delivery of services marked the first stage of growth:

“Many of the deals done in the ’90s actually gave the responsibility for monitoring and reporting of supply performance to the supplier. And I didn’t ask my children to fill in their own report card last year,” – Head of Service Delivery

The adoption of the core capabilities model started in the central IT group, starting with the appointment of existing and new CIO direct reports into capability areas, although there are likely to be other approaches. The CBA then formalized roles and functional responsibilities and grew each capability area. CBA demonstrates an approach for maintaining a reasonable number of capabilities (no more than two, in addition to leadership and governance) that any individual appointee was expected to display. This helped with simplifying recruitment where there was a clear expectation of the capabilities and skills required.

In the second phase, CBA extended its core IS capabilities to more effectively manage IT across the organization. This required corresponding changes of the IT organizational model, IT governance and structure. The challenges are well covered in the case. The key here was the need to develop complementary capabilities in the business units

5 The testing of applications development and maintenance and any remaining services against the market is continuing at the time of writing this case study
(i.e. BST and RB) rather than overlapping capabilities, roles and responsibilities. The separation within the governance model of Core Infrastructure (with decision authority held by the central IT group) and Business Systems accountabilities (with decision authority held by the business units) went a long way to achieving this, as did the eventual creation of business unit CIO roles.

In the third phase when CBA moved to deliver WnB, it was clear that there were insufficient capabilities in the business unit both in quantity and quality. However, as demonstrated by the CBA case, staff can be acquired from the market, consultancies, or brought in from other areas within the organization, such as subsidiaries. Also, business areas can contribute project and change management capabilities as part of the delivery. All core IS capabilities need to work together, as well as integrated with business capabilities to deliver of IT-based strategic change.

**Epilogue**

Shortly after the appointment of the new CEO, McKinnon announced his departure and a new CIO, Michael Harte, was appointed commencing April 2006.

Harte, as with his predecessor, spent time meeting people across the technology team, his business peers and service providers. He highlighted that the technology teams had a great deal to be proud of and his belief that the Bank is one of a few financial services organizations globally that have seriously invested in technology and also proven their capability to deliver. However, it was clear that there was a significant gulf that split the central IT groups and divisional IT groups.

To integrate the teams, Harte announced a new business unit led structure (Figure 6) with all IT functions reporting to the central IT group, renamed, Enterprise IT. This structure focuses the delivery of IT services through business unit CIOs, with their business systems thinking capabilities, to the business. The business unit CIOs are supported by a single Enterprise IT solutions group (from the former Enterprise Systems, CommSee and Colonial groups) and Enterprise IT Operations group (formerly the service delivery group). With only a single solutions group, the architecture planning was relocated within Enterprise IT solutions. Two additional CIO support functions were also maintained, one around Enterprise IT Governance (including finance) and the other around enterprise IT execution, (from the CommSee business change management team).

A new set of challenges face Harte as he focuses on “getting the best value from technology investments by leveraging the capabilities and standardizing our technology offerings”. With focused execution to become the hallmark of CBA’s technology organization, a new set of technology challenges include:
Providing a group-wide leadership model of IT
Leveraging IT capabilities and expertise to revitalize systems
Implementing smarter sourcing; and
Continuing to develop lean and efficient processes.

Conclusion

The CBA case study provides a practical illustration of the IT capabilities that must be retained within an organization. It shares the challenges of managing IT outsourcing and evolving the IT function’s capabilities, governance arrangements and structure in a dynamic business context.

The case also examines the evolution of large-scale IT outsourcing, and how CBA dealt with these as it evolved towards a multi-sourcing strategy. Finally, it highlights how changes in the business, such as mergers, restructures and transformation projects can have significant impact on the required IT capabilities, governance, structure and culture. As CBA embarks on further business change programs, Michael Harte will face further challenges to nurture, maintain and evolve the CBA IT capabilities.

References