A package full of change: An interview with Ian Andrews of Commonwealth Bank of Australia

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The fast pace of change in financial services can whipsaw frontline employees. One bank has responded with a new approach that makes change easier and faster for people to absorb.

In a strong banking environment, Commonwealth Bank of Australia (CBA) has outperformed the larger market: as of December 31, 2015, the retail-banking business's profits had grown by 8 percent since December 31, 2014.[1] A fundamental reason for this achievement is the bank's customer-service performance. According to Roy Morgan Research, an Australian market-research company, CBA's customer-satisfaction scores rose from the lowest among the country's four largest banks in mid-2011 to the highest in early 2013—and by May, 2016, CBA had held the number-one rank for 12 consecutive months.

But the battle for sales and service leadership in Australia's financial-services sector remains fierce as customer expectations evolve and competition intensifies. In this interview, Ian Andrews, CBA's executive general manager of group sales and service, discusses how these forces have promoted a new approach to help the organization evolve more quickly, starting with the front line. Mr. Andrews spoke from his office in Sydney with McKinsey's Christian Johnson and Jonathan Michael.

McKinsey: *How do you see the standard for sales and service leadership evolving, both at CBA and across the financial-services industry?*

Ian Andrews: Over the last ten years, we've worked hard to develop our sales and service practices across CBA. But to remain in a leadership position in the industry, it is important to continually engage with customers, understand their expectations, and improve our service

accordingly. The challenge now is to respond more deeply to the new, more dynamic ways customers want to engage with us, including mobile and digital channels.

This is really a challenge in our experience with the finance industry. You have to deal with changing customer expectations and new competition, whether from well-established organizations with large client bases or fintech start-ups. This all adds up to more complexity and competition, so we're undertaking a major transformation that will allow our operating model to evolve more rapidly.

Our expectations for leadership are becoming much more complex as well. At every level, our people will need stronger commercial acumen to maximize the insights created by our new tools and resources. And they'll have to become more agile as we adjust how we deliver change in response to market dynamics.

McKinsey: *What are the most important changes in customer expectations?*

Ian Andrews: They fall into two categories. The first concerns how customers want to deal with us. That's largely a matter of achieving the right balance between assisted interactions—whether face-to-face, over the phone, or via instant messaging—and unassisted, digital interactions. We need to know when customers want each type of interaction and what features they are looking for. The second category arises from our broader role in supporting people's financial well-being, ideally through relationships that last a very long time.

McKinsey: *As some of these larger changes start to take hold, what does CBA's leadership see as the top changes financial institutions must make in response?*

Ian Andrews: Traditionally, financial-services organizations—particularly banks—were product focused and channel focused. The focus is now more customer-centric. This requires the whole organization to operate more cohesively in delivering true value for the customer, when and how the customer wants and expects it.

McKinsey: *How does an organization make that degree of change happen?*

Ian Andrews: Previously, we delivered each program by itself, with its own change plan, its own communications plan, and its own definition of success. But we knew that rolling out several large programs that way in rapid succession would create too much complexity for the front line, reducing the odds of reaching our goal.

We decided instead to pull major initiatives into single "packages of change," each around a core theme. That way, from the frontline perspective, the program would feel like a single, predictable piece of change rather than multiple disparate, overlapping changes. At the same time, we developed a new governance process to ensure that the narrative explaining the change package would support the theme and align with our strategy. We also give careful consideration to which leaders should deliver the narrative, so that everyone hears it from someone they know and believe in.

McKinsey: *What goes into a package?*

Ian Andrews: Each package addresses all of the distribution channels—branches, call centers, digital operations. It provides a complete set of transformation elements covering everything from transaction-migration initiatives and new report

templates to new tools and technology. The packages also include capability training for frontline sales and service personnel, and any necessary sales-operation changes.

The right timing for our packages is critical, too. We now aim to deliver two major packages a year, so each time we need to make sure that there's sufficient capacity at the front line to absorb the package. A validation process follows each rollout— first, a quick self-assessment by the business of how well it received the package, and then an annual reassessment of how well the adoption of all changes has gone. If there are areas where adoption is lagging, we provide support and allow a reasonable window of time for the business to remediate. And if there are widespread adoption problems, we will defer future change packages until adoption has reached the right level.

McKinsey: *So if I'm on the front line at CBA, how does this process feel?*

Ian Andrews: Let me give an example. Our next change will introduce a number of new customer initiatives, including enhanced customer-analytics capabilities and improvements to technologies delivered in earlier packages. Historically, we would have delivered most of this scope independently, each part with a whole supporting change program. That would feel overwhelming and disjointed. Instead, we have crafted everything together into a single package.

For the front line, the message is fairly simple: "We've given you new technology to help you have better conversations with customers and to better identify their needs. On top of that, we're launching new offerings to help you satisfy important customer needs when it matters most to them." We also see a huge benefit in overtly calling out that the package is aligned with and built on capabilities introduced in the preceding package.

Ian Andrews

With more than 20 years of experience in banking, Ian Andrews assumed the title of executive general manager of group-wide sales and service at Commonwealth Bank of Australia (CBA) in 2014. Earlier in his career, he served in a variety of leadership roles at CBA, as well as St. George Bank and Bankwest. He holds a master's degree in leadership and management from Curtin University.

McKinsey: *And those involved see the package as one set of changes rather than two?*

Ian Andrews: Yes. People see the continuity among the various components, so it makes sense both to them and to their customers. Over time, this type of experience makes change much easier—as a frontline worker, you're not having to switch your mind between different communications coming in different formats, with different focuses and different terminology.

All the packages follow the same methodology in communications format, language, look and feel, and training materials, as well as in how the change is delivered and embedded. One of the real benefits we're striving for is the sense of familiarity that rolls through with each package. It should feel like there's less change happening to you because the change is more consistent and of a higher quality.

McKinsey: *With a cadence of two major packages a year, how do you decide what to include in them? Do some changes still move forward separately?*

Ian Andrews: Yes, some do—there's a limit to how large a package can become, and of course

some initiatives may be time sensitive. Through experience, we've come up with a short list of criteria to guide our decisions. If a change involves a serious shift in mind-sets or in how we work with our customers, it's more likely to be included in a package. Likewise, if the change will affect our entire organization or even an entire channel, a package is probably the right answer. On the other hand, narrower changes targeted to a particular product or campaign may be able to proceed on their own, especially if they don't involve interdependencies with other changes we're making.

McKinsey: *What sorts of capabilities does an organization need to make this new approach work?*

Ian Andrews: The most important capabilities center on managers supporting people through the changes—making sure that the rationale aligns with our long-term strategy and that the narrative resonates with the front line, so everyone can see how the packages ultimately support the strategy and satisfy our customers. But we've also had to become far more effective in many other respects, such as in building the right training programs, designing the rollout process, and identifying the metrics that will reinforce success.

We've had to develop stronger capabilities in our frontline leaders, who are dealing with a lot more complexity than they used to. And then there are the technical capabilities involved in deciding which initiatives should go into a package, for what reasons, and what the sequencing should be.

McKinsey: *How do senior executives feel about bundling their initiatives into packages?*

Ian Andrews: When we first introduced this concept, everyone understood the idea and saw its benefits. But when we started the practical application, we had to deal with the personal connection people naturally have with the projects they sponsor. We had some tough discussions on how to prioritize collectively rather than individually, putting aside personal agendas for the good of the whole.

McKinsey: *Many organizations ask whether it's better to rely more on a parallel change organization to lead the way in delivering change or to rely more on line management. How did CBA make that decision?*

Ian Andrews: Although in some respects we ended up with both, from day one we believed that for change to be effective, it must be led through line leadership. As a practical matter, our view was that the only way frontline people will actually adopt change is to see and hear it from the leaders they know. That's far more credible than hearing it from a head office.

But we're also conscious that frontline leaders already have very busy, complex roles. To make the delivery of change as easy as possible, we've centralized and "industrialized" all of the practices and resources frontline leaders can make use of. That way, they can focus on leading and owning the delivery process.

McKinsey: *What are some of the surprising things that CBA learned along the way?*

Ian Andrews: It was important to get very specific in explaining how the new approach would create value for everyone in our organization and our customers, as there can be levels of resistance to change and of commitment to legacy practices. But getting all of that right—the messaging, the narrative, the engagement from people—creates a multiplier effect. The benefits are far greater than what anyone would achieve through individual initiatives, with potentially contradictory messaging and processes.

McKinsey: *What is the biggest change that people working in a branch or contact center see in how they're working with their customers?*

Ian Andrews: I think there are two things. First, a shift in mind-set from "What products interest this customer?" to "How do I better understand this customer?" The second big shift is from a product point of view to a service point of view. The idea is not just to provide what customers want but to enable them to bank how and when they want, through digital means or assisted channels.

McKinsey: *How has this experience changed your views of organizational transformation?*

Ian Andrews: Traditionally, many change programs defined success only as the handing over of the program or work following implementation. The leadership might see the logic of how all the pieces of a program came together, but that connectivity may be less obvious further down in the organization.

Now we define success by the value that change generates over an extended period of time, beyond the implementation date. That means we focus much more on how we deliver and embed change at every level—especially on how effectively leaders communicate the "why," so that the front line adopts

the behavioral changes and can see the benefits that are being delivered to customers.

McKinsey: *Frontline employees really want to see that customer benefit, don't they?*

Ian Andrews: Organizations often underestimate how strongly their people identify with their customers. I think if you ask the majority of our frontline staff what brings them to work every day, they'll show a strong sense of pride in their ability to deliver good outcomes for their customers. If they can't see that clear customer benefit, they could resist the change in the belief that in doing so they are continuing to help their customers.

McKinsey: *How has the past year changed the way you lead and how you want to lead in the future?*

Ian Andrews: My position has no direct authority over any of the businesses undergoing change—I can't compel anyone to do any of the things that I am charged with doing. I've had to be very conscious about influencing rather than directing, accepting people's diverse viewpoints and opinions, and being very patient. But at the same time, you need to have the confidence to remind people of what we're trying to achieve collectively.

McKinsey: *How is CBA building on the momentum?*

Ian Andrews: Right now, we're reviewing what we've learned so we can refine the model and become even more disciplined, while also allowing natural evolution to occur in the larger business as we deliver change that will be sustainable. I know I've had to change my own approach over the last 12 months—I'm constantly reviewing how effective I'm being in leading this particular methodology. So it's a continual cycle of action, assessment, and improvement, both as individuals and as an organization.

McKinsey: *What parts of this process have been most rewarding to you?*

Ian Andrews: It's when I visit a branch or contact center and have a candid discussion with people who don't quite know what my role is, and they tell me about the benefits they're seeing or what they can do now for their customers that they couldn't before. Our frontline staff in branches and contact centers now talk about seeing the connections between the components of a package or even among various packages and about how the packages add value to customers. And people tell me what isn't working well, too. That kind of account of what you've done right and what could be improved is really what's most rewarding. ∎

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[1] Growth in net profit after taxes.

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