Case Study:

Commonwealth Bank is a fantastic example of both executing at the service system level and using a tight-loose-tight model. In 2007, the Commonwealth Bank of Australia was the worst out of the country's five major banks in terms of delivering service. Now they have been the best bank in Australia since 2012—five years in a row!

The journey to number one consists of two parts—designing the service system and executing the service system. This case study focuses on the design of the service system.

Designing a compelling service vision

The first step in redesigning Commonwealth Bank's service approach was to create a service vision that is clear, compelling, and memorable. This service vision would propel us forward and create excitement about our goals. The vision we created was this: To be the finest financial services organization in Australia through excelling in customer service and to be number one out of the major banks by June 30, 2010. The vision turned out to powerful for three reasons.

First, it was succinct and clear. No ambiguity, no smoke and mirrors. Simplicity. We wanted to be the best through service. Not the best out of *all* the banks in Australia (not small local banks, for example) but the major five banks (there are now four, after two merged), which we could easily track against.

Second, we wanted to *excel* in service. While many service visions have throwaway words, we chose every word carefully. Recall in the last chapter, the discovery that excelling in service (scoring nine or ten out of ten) makes an incredible impact over good service (sevens or eights). We knew this and it was what we shot for—excellent customer feedback in all the measures that we tracked. In every survey we conducted (in call centres, branches, and private banks, with salespeople and through internal service surveys), we tracked and rewarded only for nines and tens. In this way, we zeroed in on excellent service.

Third, and this bit I insisted on, we put a timeframe on it: number one by June 30, 2010. You cannot weasel out of a clear deadline that is communicated in every possible way. Importantly, this created a sense of urgency. The clock was now ticking—we had three years to do this or we would lose credibility with all employees who would see this as an empty goal. Imagine the procrastination that would have occurred without a deadline. As it turned out, adding this date created momentum in ways we never imagined.

Creating scorecards that link to the vision

With this vision and strategy in place, we created service scorecards for all areas based on customer data—business banking, retail banking, insurance, and wealth management. These customer scorecards were broken down into the 3Rs—reliability measures, responsiveness measures, and relationship measures. Using the framework of the 3Rs enabled us to make execution easy to understand and to connect with how we asked employees to deliver service.

Each measure was then given a traffic-light colour by the team who collected the metrics. Red indicated we were a long way from the target. Amber showed we were close to the target. Green meant that measure was met or exceeded (for example, if 80 percent of home loan applications were completed within our assigned timeframe).

These customer scorecards were then driven down to the areas of the bank that “owned” that measure. A VP’s name was directly assigned to each measure, and they then created their own scorecards with lead measures to push the rolled-up scorecard forward.

Fixing broken processes

Next, these scorecards, with the assistance of the process excellence area of the bank (i.e., Lean Six Sigma types), were linked to the process improvements occurring across the bank. To help with this process, a CEO customer service forum was created where, once a month, all heads of the respective areas of the bank (HR and marketing, sales and service, IT, CEO, all business unit areas, and me as general manager of customer satisfaction) made decisions based on the scorecard.

Each business unit head went through their scorecard in the meeting. We glossed over measures that were green to focus on ambers and reds in detail—particularly if they were reliability measures. Given the status of the people in the room, process investment decisions in many cases could be made there. We put a ninety-day window on improving these processes; if no real change had occurred after ninety days, we would escalate a review of this process.

Process reviews were continuous. It was a great way to pay attention to a broken process and put it in the spotlight. It also ensured these processes were important to the customer, rather than focusing on those with little impact on the customer experience. Finally, the CEO customer service forum (run by the CE O, which gave it integrity) was a very useful way to hold each business unit of the bank accountable for their scorecard.

Remember, they had to talk through the scorecard with the CEO present as well as their peers—there is no escaping from the numbers!

Implementing HR policies and practices

Finally, Commonwealth Bank of Australia did a fantastic job linking the service strategy, customer scorecards, and process improvements to important HR policies and practices. One really important way this occurred was when 40 percent of everyone's discretionary bonus was tied to customer satisfaction: the CEO, everyone in IT, HR, all front-liners, all team leaders, all managers, including me—everyone. Before this, it varied between 0 and 20 percent. If you want to excel in customer satisfaction but you are rewarding sales or efficiency measures instead, this sends out a very strong (and wrong) message.

For many areas of the bank, we made sales and service worth the same (40 percent each)—we needed to sell, but not if it meant sacrificing service. There are no silver bullets when delivering great service and designing a strong service system, but assigning the same value to sales and service was one of the most powerful things we did.

We also connected the service system with HR policies and practices through hiring and onboarding. Employees were hired based on their potential to grow into service superstars. We were much more focused on new hires' willingness to be coached than on their previous work experience. Orientations were also designed around the 3Rs. New employees were shown the key customer metrics they would be evaluated on and how they could influence these lead measures to drive higher levels of service.

Living the system

This system was kept alive every week through customer feedback—tied to the 40 percent bonus for reaching service levels—which was passed on to every branch, call centre team, and salesperson every Friday afternoon.

This led to the “Friday feeling,” an anxious wait as to whether you had hit your service targets or not. It kept the momentum going—whether your targets were on track or not—and gave detailed feedback that all teams, even back-office teams, could use to guide their work.

Finally, each team across the bank had a twice-weekly service and sales meeting on Monday mornings and Friday afternoons (which was like an after-action review) to discuss ways to improve on service and sales. Each Monday morning, a different topic was discussed and a “big five” was created: the team came up with five new ideas to implement each week. On Fridays, we would discuss how well these five new ideas had worked.

Overall, this service system turned out to be robust. There is no doubt that integrating all of the pieces of the puzzle and subsequently designing each element was the foundation for reaching and staying at number one.

Over the past ten years, since the Commonwealth Bank started this journey, their shares have gone up 40 percent more than the next best major bank in Australia—and in some cases, 90 percent more. That’s because the Commonwealth Bank has built an organization to last, outrivalling everyone through enduring service.