

# 3 *Effective Leadership Programme, Commonwealth Bank of Australia (CBA)*

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## Background

The CBA is currently one of Australia's largest banks employing more than 35 000 staff (full-time equivalent). It was fully privatised in July 1996 as part of the process of deregulation of the domestic banking and finance industry. From 1911 it had operated as a wholly owned government authority and at the time of privatisation still had the structure and many of the systems of a large government bureaucracy.

The board and executive committee of the bank recognised that a transformation in structure, systems and leadership was required in order for it to thrive in the new competitive environment. It was aware that other large Australian companies had successfully used leadership programmes based on systems leadership theory (SLT) in conjunction with organisation restructuring. Macdonald Associates was engaged to work with the group executive HR Mr Les Cupper and his team to develop a leadership programme which would support the cultural changes required.

## Introduction of effective leadership forums (ELF)

The ELF programme commenced in mid-1997 that, as a consequence of the view of executive committee:

- there was a lack of a consistent process for leadership to deliver the performance based culture required;
- staff needed to develop a more rigorous understanding of the business and a more effective model for leadership of their teams and
- the approach taken to leadership development should combine behavioural and systems change.

On this basis it was decided to:

- adopt a common framework for team leadership/team membership behaviours and accountabilities;
- introduce line managers to the framework;

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1 Macdonald Associates, November 2005.

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- review key people systems to reflect the principles of the leadership model and
- assess the impact of the leadership programme in terms of key performance indicators.

### Three questions people should be able to answer at work

At the outset, therefore, it was recognised that behavioural change would not be sustained without changes to the design of key people systems. These key systems were identified as those relating to three fundamental questions people should be able to answer at work:

- What am I expected to do (and why)?
- How well am I doing?
- What future do I have?

Thus special attention was given in the programme to the task assignment system (CPQ/QRT – context, purpose, quantity, quality, resources and time – see Chapter 11); and the redesign of the performance development and review system (PDR) and the career development and succession planning systems were also identified as priorities. These systems, especially the career assessment system, which specifies a particular role for the manager one removed (MoR), are designed on the assumption that a requisite organisational structure is or will be put in place. However, at the time it was decided that the reorganisation of the structure of the bank to align with principles of levels of work was not practical. The job classification system with some 13 grades, from bank teller to executive, was seen to be dysfunctional but it was entrenched in the industrial agreements to which the bank was tied legally. Changes could not be readily made without the agreement of the union or a lengthy arbitration before an industrial tribunal.

The design of the ELF course drew on the Working Together programme used in other organisations but with the business context and content of exercises and case studies drawn from experiences in the bank. The conduct of the course was based on experiential learning principles, allowing participants to get personalised feedback on their current leadership behaviours and skills and coaching around areas for improvement. For executive managers and above, the course ran for three nights and three days; for staff in manager and assistant manager roles, two nights and two days. Night-time activity was mainly concerned with case study analysis and preparation.

Selected line managers were involved in co-presenting the course. These were mainly from high potential executive managers (level III) and at any one time about 45 to 50 co-presenters were active, out of a group of about 60. The total number of co-presenters trained over the period 1997 to 2003 would have been close to 150 – an important leadership group in their own right. ELF activities were work in addition to their normal role. The successful completion of a one-week ‘train-the-trainer’ course and subsequent accreditation through participation in the leadership of ELF courses with experienced practitioners, was a prerequisite.

### Milestones and achievements

In its first year most of the bank’s top 1000 general managers and executives participated. Courses were opened by the CEO or members of the executive committee. By mid-2003 about

10 000 staff from the executive committee down to branch manager and assistant managers had participated.

Evaluations of participant feedback were conducted from the inception of ELF. The views and experience of participants were overwhelmingly positive throughout. Some representative observations from participants in the January-to-June period in 2003 included:

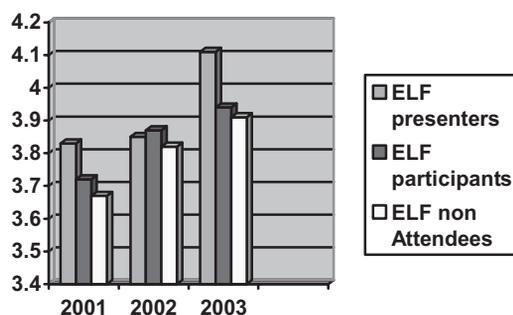
- the course was stimulating and a powerful learning experience;
- strong links exist between the theory and practical exercises;
- there are clear links between behaviour observed in exercises and what occurs at work and how to influence that behaviour and
- clear task assignment using CPQ/QRT would be applied by participants and expected from their own leaders.

Feedback from participants and co-presenters on the case studies designed on the management of poor leadership and disciplinary matters also indicated these issues had become less contentious and were being better managed. It reflected the improvements in leadership and culture that had occurred since 1997.

Improvements in leadership and culture were also supported by changes in system design and operation during the period. The PDR system had been changed in 1998 to focus more directly on performance feedback and review and the role of the MoR and manager in training, and career development had also been clarified. The process for the management of poor performance had also been greatly simplified. Role-plays using the new management of poor performance process were an important element of one of the case studies used on the program.

In 1999 the CBA adopted the 'Gallup Q12' survey as a measure of the progress it was making in the quality of its leadership and employee engagement. This particular survey instrument was chosen because of its alignment with the three fundamental questions we all have about our work, to which reference has been previously made. Subsequently an analysis was made of the outcomes from the survey for those leaders who consistently applied the leadership principles taught on the ELF programme, that is, the ELF co-presenters. The survey results for ELF co-presenters (who also had full-time leadership roles) compared to those that had only attended the course and those who had not participated in ELF at all, were analysed for the years 2001 to 2003 inclusive. These are set out in the chart below.

The grand mean score relates to the overall rating received for all the survey questions using a five-point rating scale from one (strongly disagree) to five (strongly agree). The ELF groups achieved consistently better results for the Gallup survey than the non-attende group. However, as will be argued in the next section of the paper, the follow through on consistent



**Figure CS3.1** Survey Results Mean Score

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application of the leadership principles taught on the programme started to fall away towards the end of the programme and this is reflected in the gap between those consistently using the leadership model (the co-presenter group) and the others that emerged in 2003.

Research in the bank on the effectiveness of the programme highlighted the need for regular reinforcement of the expected leadership and team membership back at the workplace. For the co-presenter group, application of the systems and behaviours taught on the programme became embedded as part of their normal work. *It demonstrated that when application of the principles is embedded, measurable and sustained behaviour change does occur.*

Research was also conducted by the bank on the links between business outcomes and employee engagement as measured by the Gallup survey score. Data were gathered on business performance measures for the retail banking services division, which included the branch network and processing areas where some 18000 employees worked. Comparisons were made between the top 10 areas as measured by business performance compared to the bottom 10. An area comprised about 10 to 12 branches in a particular geographical location. The table below sets out the results for customer service metrics and business outcomes for the financial years 2001/2002 to 2003/2004.

**Table CS3.1** Results for Customer Service Metrics and Business Outcomes, 2001/2002 to 2003/2004

	<b>Customer Service</b>	<b>Business Performance</b>
<b>2001/2002</b>	Top 90.3 Bottom 83.0	Top 107.0 Bottom 72.0
<b>2002/2003</b>	Top 94.0 Bottom 90.8	Top 98.3 Bottom 97.4
<b>2003/2004</b>	Top 109.6 Bottom 102.0	Top 124.7 Bottom 121.6

While there were some fluctuations in business performance, at all times these translated into significant differences in bottom line results. Customer service outcomes were also important especially with the introduction of the 'Which New Bank Program' in 2003, which had as its key objective 'To excel in customer service'.

The same analysis was conducted for absenteeism and turnover with similar results favouring those areas with strong employee engagement. These better results on HR metrics also meant lower costs for the branches concerned.

Interviews with ELF co-presenters who had progressed to higher-level management positions in the bank also confirmed the view that the consistent application of the leadership principles taught on the programme supported better business outcomes. This was especially apparent in some of the state areas such as Queensland and Western Australia, where the co-presenters had progressed to some of the highest leadership positions.

## Key observations and lessons

Throughout the period of operation of the ELF programme, the bank was going through constant restructuring and downsizing. Paradoxically, while leaders who engaged with and applied the ELF principles were better able to manage the process of change, the time pressures

and competing priorities created meant that over time, leadership involvement from the top started to fall away. New leaders coming in to the organisation, including those joining through the acquisition of Colonial First State, saw inconsistent support for and application of ELF and were less inclined to see their participation or those of their staff as important as day-to-day operations and sales.

These problems were evident in the lack of context set by line managers for their team members who participated in ELF. Where the nominating manager had not participated in the programme or whose application of the leadership principles had waned with the passage of time, there was little encouragement to course participants to develop and apply what had been learnt.

Over the first seven years of ELF, the value of the principles and theory underpinning the programme was not at issue but the need to reinvigorate leadership development based on these principles became a critical issue to the effectiveness of leadership development at the bank. Employee engagement is seen as a key part of the 'Which New Bank' transformation and the content of ELF has been integrated into the 'CommLeader' programme developed over the course of 2004.

The business strategy and programme elements which comprise 'Which New Bank' set the context for 'CommLeader'. The performance management system has also been redesigned and now gives a much stronger emphasis to leadership behaviours as well as business outcomes in the assessment of individual work performance. A top-down roll out of the leadership programme is now occurring. However, the top executive leadership of the bank understands that their ongoing support and their visible and consistent leadership behaviour remains an issue critical to ongoing effective leadership development at the bank.