



ANATOMY OF A FAILED TRANSFORMATION: THE \$1 BILLION CBA CORE BANKING MODERNISATION

The Commonwealth Bank of Australia's core banking modernisation project (2008-2012) remains a definitive case study in financial services risk management. The strategic goal was sound: replace decades of legacy systems with a unified, real-time SAP platform. The initial budget was \$580 million AUD; the final cost escalated to over \$1.1 billion AUD (Finextra, 2011).

The new system was ultimately delivered and operational. However, its completion was marked by protracted execution failure a process that nearly doubled the original cost and timeline. The resulting narrative shifted from technological leadership to high-risk, high-cost delivery, proving that in banking, the process of change carries more risk than the change itself.

The reason: **leadership failed to manage the magnitude of technical and regulatory risk.**

The Fatal Flaw: Process Without Governance

While the GovERP failure resulted from prioritising the Tool (T), CBA's cost blowout was a failure of Process (P). The bank underestimated the complexity of migrating from highly customised legacy systems and failed to embed accountability for systemic risk within the design and decision-making process.

The CBA case proves that in highly regulated, integrated environments, risk management can't be outsourced to a vendor. If the governance and integration strategy is weak, the cost will balloon even for a necessary upgrade.

The Leader's Mandate: Governing the Transition

To avoid this systemic failure, executive leaders must stop treating risk and regulation as a compliance check. You must structurally embed accountability for risk and regulatory compliance into your program's core P→P→T sequence.



This is the non-negotiable governance required for successful transformation:

1. Establish a Risk Governance Body

Create a small, empowered executive group not a committee, including the **Chief Risk Officer** and **Head of Compliance**. This body must have authority to veto or freeze any design that creates unacceptable regulatory exposure or unnecessary platform customisation. Their mandate: ensure risk informs design decisions from day one.

2. Translate Regulatory Requirements into Delivery Mandates

Stop treating APRA or ASIC rules as legal documents to be interpreted later. Translate them directly into auditable functional requirements. For example: "The system must retrieve a complete 7-year transaction history within 2 hours to satisfy regulatory audit requirements." These become non-negotiable delivery mandates, making risk and compliance staff accountable for solution design, not just critique.

3. Link Executive Performance to Risk Management

Accountability must be personal. Executive compensation and performance reviews should be tied to the risk profile of the delivered system and successful regulatory attestation, not just on-time delivery. This ensures managing transition risk becomes a career imperative, not an obstacle to hitting a deadline.

Strategic Conclusion

The CBA modernisation was essential, but the \$500 million cost overrun was the price paid for weak governance. You cannot buy standardisation; you must govern it.

If your next transformation involves replacing core systems in a highly regulated environment, ask yourself: Is your governance model equipped to manage systemic risk, or just report on it after the fact?

This is the challenge **Telos Program Partners** solves. We embed with leadership teams to establish the governance structures and risk accountability mechanisms that prevent cost blowouts before they happen. When transformation success is non-negotiable, we ensure your governance model is equipped to manage risk, not just report on it. For further information contact:

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Sources: CBA Annual Reports and ASX releases (2008-2012); Finextra Research (2011); iTnews.