McKinsey & Company

Rewired in Action

Real-world examples of Digital and AI transformations and how leading companies succeed

Kiwibank:
Building a better bank for the future
of New Zealanders

The opportunity

Providing a better employee and customer experience with next-gen digital offerings

Kiwibank, the largest New Zealand-owned bank, was founded with a vision to provide New Zealanders with a relevant and credible alternative to offshore-owned banks, and with a strong purpose to make Kiwi (New Zealanders) better off. While Kiwibank ranked highest on customer consideration, the sheer pace of growth meant the business was outgrowing its technology quickly, making it difficult to provide innovative offers to serve customers who showed a preference for digital solutions and more simple experiences.

Kiwibank responded to this challenge with a bold vision for transformation and core banking replacement. It aspired to build a new, modern, flexible tech stack that would help create more consistent, reliable, and simplified experiences for its people and customers. In turn, this would help it achieve its goal to become the first choice for customers and its offer to be simple, easy, accessible, and tailored. And it would do all this while unlocking growth and significantly improving efficiency.

The solution

Leapfrogging the competition with a blueprint for bold transformation

The first step was to ground the aspirations in a strategic roadmap. Kiwibank executives set about translating their vision into strategic objectives, drawing inspiration from other organizations globally that had successfully completed such transformations. As they considered the options, Kiwibank made a pivotal decision— to embark on an ambitious plan to improve and thin out its legacy tech to add value and improve customer and team experience, while simultaneously building a new tech stack to the side, leveraging modern, cloud-based capabilities including a new core banking platform. Doing both meant over half of the current platform is being remediated or replaced at once with a significant shift to a cloud native tech stack.

Starting the "acceleration to side" enabled Kiwibank to learn fast and fail safely without undermining its banking operations, including the team and customer experience. Implementing new capabilities outside of its current stack gave Kiwibank the opportunity to become an early adopter of new cloud technology, learning and working with the software as the bank leapfrogs its way to a best-in-class technology stack. These new capabilities are now being used as the modern foundation to accelerate the replacement of its current stack through the coexistence and migration of workloads and customers over time.

Kiwibank's transformation is as much about evolving mindsets and expectations inside and outside the bank as it is about replacing legacy technology. Working with McKinsey, Chief Digital and Technology Officer Hamish Rumbold has built an in-house team of top-quality engineers, architects, data scientists, and product owners who are well versed in agile ways of working and now work in cross-functional squads partnering ("two in a box") with other key areas of the business. This has improved the bank's internal capabilities, speed, and quality of change.

The bank is now deep into its transformation. Several key foundational technological elements have been delivered that have driven better team and customer experiences, operational efficiency, and are now enabling much faster and safer change.

The impact

70%

Percentage of customer base now interact with the Kiwibank app more than once a day.

6x

Improvement in downtime impacting customers, making Kiwibank a regional leader in availability of services.

7% annual growth

Annual growth in profit before taxes, achieved while investing heavily in the bank's digital transformation.

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"To achieve success, it is essential to establish a recipe tailored to your culture and context. It requires embracing valuable principles while simultaneously considering the pace at which you can effectively operate and increase momentum within your organization."

– Steve Jurkovich, Chief Executive, Kiwibank

"Our aspiration was to not try to predict the future but instead create a flexible platform, experience layer and ways of working that enables us to quickly adapt to deliver on our purpose. Customers today are asking all of us 'to be where they are,' and seamlessly work with lots of channels. This makes the back services, APIs, and data a top priority to sort."

- Hamish Rumbold, Chief Digital and Technology Officer, Kiwibank

"Learning through action is the most effective approach. Momentum plays a crucial role in achieving success, especially when building and progressing rapidly. Conversely, stalling, overthinking, and excessive analysis in areas that inherently involve ambiguity can lead to wasted time, lost momentum, and diminished organizational confidence"

– Steve Jurkovich, Chief Executive, Kiwibank

As it confronted difficult decisions, the bank has been deliberate about trade-offs such as co-existence risk, time to value, and migration risk. There are still challenges to address, but with a new mindset, the right team, and new tech, Kiwibank has the strength and confidence to finish the job.

Lessons learned

Strategic Roadmap

Align decisions and trade-offs to strategy
Kiwibank faced a number of difficult choices along its journey, however, the executive leadership team was committed to the goals and worked to build their own digital IQ. Identification of the unknowns early enables organizations to assess tradeoffs against the strategic rationale, helping to provide clarity and enable alignment among executives and the board.

Agile Operating Model

Talent and culture are critical
Kiwibank needed specific capabilities and worked hard at recruiting and upskilling top banking and digital talent. The investment in the breadth and depth of its talent and developing mindsets was crucial in building the new platform and new solutions. Just as important was the shift toward new ways of working in cross-functional teams.

Talent

Don't let perfect be the enemy of good
Waiting too long to make decisions hampers solution deployment, organizational learning, and value delivery. Kiwibank's approach of deploying solutions rapidly, improving them iteratively, and being guided by a clear from-and-to target state, OKRs, and an integrated plan has proven effective in addressing these challenges.

Adoption and Scaling

Start on the side to go fast
Piloting on the side has enabled Kiwibank to speed up learning while minimizing risks. The approach accelerated the delivery of tech foundations, system integration, and the proof of coexistence and customer migration to scale in the next phase.It also prevented distractions from business-as-usual activities and preserved focus.