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CIBC: INTERNALIZING OPEN INNOVATION

R. Chandrasekhar wrote this case under the supervision of Professor Darren Meister solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

It was January 2017, Marie Simone, vice-president (VP), Enterprise Innovation at Canadian Imperial Bank of Commerce (CIBC), was in the middle of talks with firms operating in the bourgeoning financial technology sector about potential partnerships. Known as "fintechs," the early-stage firms had been disrupting the traditional role of long-standing banks. They were doing so not only on the strength of their cutting-edge technologies but also on the competitive advantages of being agile and innovative. In a move that was catching on in Canadian banking, CIBC was looking at fintechs as collaborators rather than as competitors.

Simone had already secured a partnership with Borrowell, a Toronto-based fintech, in October 2016. Borrowell had developed a technology that could evaluate online applications for personal loans in less than a minute each. The deal between CIBC and Borrowell was part of an ongoing trend in high technology industries known as open innovation. For a bank with high-cost legacy systems, open innovation brought two simultaneous benefits: accelerating the pace of change and lowering the cost of transactions. For CIBC, it also helped realize one of its strategic objectives: enhancing the client experience.

With the new partnership, CIBC was addressing the same customer demographics as before. It was offering the same products and services as before. CIBC did not have to change *what* it was doing; it had to change *how* it was doing it. It was in the execution of its strategy that CIBC saw the need for partnerships with fintechs.

Simone said,

> We recognize the need for our various business divisions to access state-of-art technologies of fintech firms to deliver the best of experience for their clients. Open innovation is the way to access them. Now, in the light of some of the learnings we have accumulated from bringing Borrowell aboard, I am wondering how we could leverage those learnings in managing open innovation at CIBC better, in future. The dilemma is basic: How do we internalize open innovation?

OPEN INNOVATION

Open innovation was a term popularized in 2003 by Henry William Chesbrough, a business professor at the University of California, in a book called *Open Innovation: The New Imperative for Creating and Profiting from Technology*. He defined it as “the use of purposive inflows and outflows of knowledge to accelerate internal innovation, and expand the markets for external use of innovation, respectively.”[1] It had two dimensions, as Chesbrough saw them: the “outside in”—where ideas and technologies from outside the firm were brought into the firm’s own innovation processes—and the “inside out”—where ideas and technologies originating from within were allowed by the firm to be incorporated into the innovation processes of other firms, including those of its competitors.

Open innovation was in sharp contrast to the approach to strategy that had prevailed throughout most of the twentieth century. The conventional approach held that a firm should take a combative stance against its rivals, and that it should do so in three ways: erecting barriers to entry to safeguard its turf, pursuing vertical integration to control its resources, and developing products through its own research and development (R&D) to keep its knowledge base exclusive. Accordingly, the firm could best defend its position in the market by holding the sources of value creation close. The archetypal firm, if it wanted something done right, had to do it by itself because good ideas could only come from within.

The first cracks in the traditional paradigm surfaced during the mid-1990s, when companies in the bourgeoning information technology (IT) sector were becoming resourceful in their search for innovative products and solutions. The sector was rife with start-ups developing new technologies. When a large IT firm could not acquire or invest in the equity of a start-up that had an appropriate technology, it began to partner with it. Competition gave way to collaboration, leading, in later years, to “coopetition,” a new term in the strategy lexicon that referred to the act of co-operation between competing companies. For example, Cisco Systems, Inc. (Cisco), an American multinational that manufactured networking hardware, partnered with start-ups worldwide in its search for new IT products. It had built up a repertoire of formidable technologies in spite of a somewhat weak internal R&D by simply looking beyond its four walls. It was only through this openness that Cisco could show its strength in the late 1990s with competitor Lucent Technologies (which had inherited a wealth of R&D expertise from Bell Laboratories when it was spun off from AT&T in 1996). Cisco not only kept pace with Lucent but managed to beat it to the market with many new technologies.

Open innovation soon moved beyond IT into the high-tech sector, including, for example, pharmaceuticals. Its rapid progress was being facilitated by factors such as the democratization of the Internet, a fall in communication costs, the expansion of the mobile phone, and the arrival of Internet of Things (IoT) and big data. The increasing mobility of knowledge workers was another major factor in the advance of open innovation. Open innovation began to catch on in the financial services sector in the early 2010s. It was being propelled by fintechs, which had developed technologies relevant to banking needs.

[1] “Open Innovation,” Open Innovation Community, accessed April 5, 2017, http://openinnovation.net/about-2/open-innovation-definition/.

CANADIAN BANKING INDUSTRY

Canada's big six banks[2] had achieved record revenues in 2016. Their consolidated revenues were $133.6 billion[3] for the year, up 8.6 per cent from $123.1 billion in 2015.

Worldwide, the banking industry was in the middle of a transformation driven by technology. In a global survey of the chief executive officers (CEOs) of capital market firms conducted in 2016 by PricewaterhouseCoopers, for example, 84 per cent of respondents said that technology would completely re-shape the dynamics of competition in the banking industry over the next five years.[4]

The transactional processes of established banks were still governed by legacy systems at the back end. The only technological change at the back end was that banks were moving their core platforms to the cloud. However, the front end was witnessing dramatic change, particularly in relation to providing better customer experiences. Growth in smartphone ownership had led to changes in customers' expectations of their banks. With the proliferation of applications on mobile devices, customers were skipping their visits both to bank branches and to ATMs. They were conducting routine transactions, such as paying bills and transferring funds, from the convenience of their smartphones.

The changes in expectations were evident among millennials (those born between 1977 and 1995[5]), who differed fundamentally from their predecessors in their attitudes towards banks. Per the Millennial Disruption Index, seven in 10 millennials would rather go to the dentist than hear from their bank. A third believed they would not need a bank within five years, and 73 per cent were more excited about a financial product made by the likes of Google and PayPal. Moreover, a third were considering switching banks within the next 90 days.[6] In a separate study, 25 per cent of millennials cited inconvenient branch locations and too few ATMs as the reasons for switching banks, versus only 10 per cent for Generation Xers (born between 1965 and 1976) and baby boomers (born between 1946 and 1964) who cited the same.[7]

The main challenge for the traditional banking model came from fintechs. They were non-bank, non-insurance, online companies providing a range of financial services products to consumers. Fintech firms were not directly supervised, examined, or regulated by the Office of the Superintendent of Financial Institutions, the Canadian federal banking regulatory agency.[8] Equipped with a better understanding of mobile technology, and free from the costs of maintaining branch networks, fintech firms were focused on a single variable of enhancing user experience—and they were gaining ground.

A 2016 Ernst & Young Global Ltd. survey found, for example, that, within the last six months, 8.2 per cent of digitally active consumers had used a minimum of two fintech products pertaining to the transfer

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[2] The big six banks referred to the National Bank of Canada, Royal Bank, The Bank of Montreal, Canadian Imperial Bank of Commerce, The Bank of Nova Scotia, and TD Canada Trust.

[3] All currency amounts are in Canadian dollars.

[4] PricewaterhouseCoopers, "Canadian Banks 2017," PwC, accessed May 2, 2017, https://www.pwc.com/ca/en/industries/banking-capital-markets/canadian-banks-2017.html.

[5] "How to Determine Generational Birth Year," The Centre for Generational Kinetics, November 28, 2016, accessed October 23, 2017, http://genhq.com/generational_birth_years/.

[6] April Rudin, "Future of Banking: Will Google or Amazon Be Your Future Bank?," January 6, 2016, accessed October 23, 2017, https://www.huffingtonpost.com/april-rudin/future-of-banking-will-google-or-amazon-be-your-future-bank_b_8921888.html.

[7] Joshua Schnoll, "How Likely are Your Millennial Customers to Leave Your Bank?," FICO Blog, September 25, 2014, accessed June 19, 2017, www.fico.com/en/blogs/marketing-customer-engagement/how-likely-are-your-millennial-customers-to-leave-your-bank/.

[8] Deloitte, Center for Regulatory Strategy Americas, *The Evolving Fintech Regulatory Environment: Preparing for the Inevitable*, 2017, accessed June 19, 2017, https://www2.deloitte.com/content/dam/Deloitte/us/Documents/regulatory/us-aers-the-evolving-fintech-regulatory-environment.pdf.

of funds and payment of bills, in addition to parking funds in savings and investments. The survey had also found that almost one-third of Canadian fintech users were under the age of 34 and had annual earnings of more than $150,000.[9]

Simone said,

> Banks are taking five different routes to drive innovation—partnering with fintech firms, establishing incubators, acquiring fintech firms, investing in fintech firms, and setting up offices in innovation hubs. Many banks are creating new roles focused on data, digital transformation, and innovation. Some are hiring from outside the banking sector to fill these roles, from technology firms and from CPG [consumer-packaged goods companies]. They are beginning to benchmark their performance metrics with not just fintech firms but CPG companies.

The technological readiness of fintech firms was the factor drawing large banks to them. The Wealth Management division of CIBC, for example, was looking, within the broader context of improving client experience, for a technology that would digitize the process of onboarding new clients. Millennials eager to sign up for wealth management services were not comfortable with the onboarding processes at CIBC because they were paper based. One such process was authentication, which ensured that the person signing up was indeed the person she said she was. Authentication was necessary for CIBC from the regulatory perspective of preventing money laundering. But for millennials, it was a pain point. They wanted to open an account on their computers from the comfort of their homes. CIBC had several paper-based authentication methods but not a digital method. Fintechs, however, did.

Shawn Mendes, director, Wealth Management Innovation & Transformation at CIBC, said,

> There is now a new paradigm at CIBC that we should focus on our core capabilities. We need technologies facilitating digital authentication and digital signatures. But developing those technologies requires us to be unencumbered by legacy technologies and legacy infrastructure. Our technologies are monolithic and inflexible. The new technologies available with fintechs are modular and decoupled. It is a huge advantage. In any case, technology development is not our core capability as a bank

CIBC

CIBC was the fifth-largest bank in Canada based on its asset size of $501 billion. Ninety-eight per cent of its revenues originated from activities in North America. It had 43,213 full-time-equivalent employees on its payroll. The bank had revenues of $15 billion for the year ending October 2016, a 7.3 per cent increase over the previous year's revenues of $13.9 billion. It had a total of 11 million clients—individual, small business, commercial, corporate, and institutional—in Canada and around the world. Many of them had long-standing relationships with the bank. The bank would be completing 150 years in business in May 2017.[10]

CIBC had three business divisions: Retail and Business Banking (focused on personal and corporate accounts and accounting for 61.2 per cent of bank's revenues); Capital Markets (offering investment

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[9] "EY FinTech Adoption Index: Canadian Findings," EY, accessed May 15, 2017, www.ey.com/ca/en/services/advisory/advisory-for-financial-services/ey-fintech-adoption-index-canadian-findings.
[10] CIBC, "CIBC History—150 Years Strong!," accessed October 23, 2017, https://www.cibc.com/en/about-cibc/corporate-profile/history.html.

banking services and accounting for 26.9 per cent of revenues); and Wealth Management (providing asset management solutions for high-net-worth clients and accounting for 11.9 per cent of revenues).

A new president and CEO had taken over the reins of CIBC in September 2014. The change in leadership had led to a renewed focus on three specific areas of action—client centricity, process simplification, and innovating for the future—together forming the bank's strategic tripod. The first element of the tripod was aimed at "enhancing customer experience and customer satisfaction at every customer interaction." The second element was aimed at "making it easier for clients to do business and freeing up internal resources to reinvest in the business." The third was aimed at "finding new ways to add value and make banking more flexible for clients."

Vivian Richard, a banking analyst with CIBC, said,

> Innovations are hard to implement in a large commercial bank because of valid concerns at departmental levels. Customer-facing departments are apprehensive of security issues around customers accessing the bank's computer systems. Departments where managers are rewarded on profit-based outcomes need to be certain that there is indeed a strong business case for an innovation initiative before they commit resources to it. These are reasonable points of caution at the individual level when implementing an innovation project, but in the aggregate, they can make it very hard for a large organization, however successful, to implement novel innovations. But, the current state of the banking industry is so volatile that it requires commercial banks to be more aggressive in their approach to innovation than in the past.

In August 2015, the bank announced a change in its organizational structure to align it with the new strategic focus. Leadership for each element of the tripod was vested in an individual business/functional head as part of an extended responsibility. The chief commercial officer would lead the client relationship initiatives; the head of Legal and Administration would lead the process simplification initiatives; the head of Retail and Business Banking would lead the bank's innovation initiatives.[11]

It was at about the same time that CIBC set up an Innovation Council, which consisted of senior executives of the bank—including the head of Retail; head of Technology; and heads of the Wealth, Retail, and Capital Markets businesses—and the heads of support functions such as Finance, Risk, and Marketing. The council would meet every month to discuss the bank's strategy with specific reference to innovation. The idea was to find a way forward for the bank with a major initiative that would likely be transformational for CIBC. The meeting had a provision for a session with a guest speaker, invited from outside of the bank, to offer insights on what was happening in the world beyond CIBC.

CIBC had already recognized the need to partner with fintech firms to gain a head start in innovation. In April 2015, the bank had announced a partnership with MaRS Discovery District (MaRS), a not-for-profit innovation hub headquartered in Toronto. The partnership was aimed at collaborating with leading technology talent to develop "the next wave of banking innovations" for the bank's clients.[12] In forming a partnership with MaRS, CIBC had taken the first steps towards what was known internally as "digital innovation." It was to be followed by a more formal move towards what was known internally as "enterprise innovation."

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[11] "CIBC Announces Organizational Changes to Strengthen Focus on Its Clients," Stockhouse, August 27, 2015, accessed May 20, 2017, www.stockhouse.com/news/press-releases/2015/08/27/cibc-announces-organizational-changes-to-strengthen-focus-on-its-clients#QmCgWlw7iqB8MWEs.99.

[12] "CIBC Announces Partnership with MaRS Discovery District to Drive Innovation," MaRS, April 23, 2015, accessed September 6, 2017, https://www.marsdd.com/media-centre/cibc-announces-partnership-with-mars-discovery-district-to-drive-innovation/.

By mid-2015, CIBC was planning to construct a permanent corporate innovation space for financial technology in the hub, where it could collaborate with leading technology talent in developing the next generation of digital banking products for clients. Within 12 weeks of partnering with MaRS, CIBC had become the first among the big six Canadian banks to make a mobile banking application available for customers keen on using the Apple Watch to conduct their day-to-day banking transactions.

Simone commented:

> The chief characteristics of [the] digital innovation initiative are that it is happening outside the premises of CIBC; it is focused strongly on customer needs; it covers day-to-day operations; it is simulator based; it does not require employee buy-in; and it does not involve access to secure bank data. The chief characteristics of [the] enterprise innovation initiative are that it is happening within the premises of CIBC; it is not focused as strongly on customer needs; it goes beyond day-to-day operations; it is not simulator based; it requires extensive employee buy-in; and it involves access to secure bank data.

ENTERPRISE INNOVATION AT CIBC

For decades, CIBC, like all large banks, had been focused on risk management. Following the 2008 financial meltdown, the bank was averse to taking risks with lending to customers, like all large commercial banks at the time. CIBC's leadership team was anchored in risk mitigation. Its first response to change, however small, was to say, "Let us first check out the risk angle to what is being changed." The need for compliance, in an industry regulated by the government, led the rank and file in CIBC to not only play strictly by the rules but often to take cover for inaction.

The new CEO brought a fresh perspective. He loosened up the extreme focus on risk without compromising the need for compliance.

In a media interview, the president and CEO of CIBC said,

> There's always been some sort of innovation in banking. What's changed now is these new technologies entering the fore are going to re-shape the way people interact with their existing bank or people are going to choose a completely different banking alternative. And there's a very real risk of being disrupted, so I don't think this is something we should just kind of shove to the side. These new entrants are trying to create banking that's easy, banking that's convenient, banking that's on a client's terms, banking that's frictionless and therefore really, really low cost. And we're trying to do all of that within the existing footprint we offer.[13]

Innovation moved front and centre when it became one of the key elements of CIBC's strategy tripod. The change in stance, from defence to offense, was evident when the business heads started asking, "How can we enable and accelerate innovation in what we do? What should be our priorities in how we do it?" Very soon, members of the executive committee were talking about putting together a group mandated with innovation. The bank was now open to the idea, rarely raised before, of hiring people laterally. The CEO was an enabler of this new thinking.

[13] Joe Castaldo, "CIBC CEO Victor Dodig on Banking's Tech Revolution," Canadian Business, January 14, 2016, accessed August 5, 2017, www.canadianbusiness.com/leadership/cibc-ceo-victor-dodig-on-bankings-tech-revolution/.

Simone had joined CIBC in July 2016. Having completed a master's degree in finance in 2001 from the IÉSEG School of Management, a business school in France, she had moved to Montreal to work with CGI Group Inc., a global IT enterprise, before joining the Bank of Montreal in its strategy and technology division. She was also involved in starting up fintechs for a private entrepreneur before investing in that space herself. It was while working subsequently as an independent consultant in digital banking that she came to know that CIBC was looking for people with a background like hers. At the time, she was among the first lateral entrants to CIBC at the level of VP. She would report to the head of Retail Banking, who in a dual role was also heading the innovation portfolio. Simone had four principal mandates: a) developing strategic partnerships with fintech firms, b) managing innovation processes, c) engaging employees in innovation, and d) tracking competitive banking trends in innovation.

It took Simone six months to put together a team. She chose 15 people, and out of these, 12 were from within the bank. Half the team reported to her as VP in charge of innovation engagement (see Exhibit 1) and the other half to another VP in charge of innovation execution (see Exhibit 2). A plan to bring the two teams under the leadership of a single VP by the end of 2017 was very likely. In recruiting her team, Simone looked for two attributes—attitude and skill set, in that order. Self-starters with a positive frame of mind who could hit the ground running qualified on the first attribute for further screening. Those with a consulting background, experience in financial services, an interest in innovation, and networking skills qualified on the second attribute.

Finding potential partners was not a challenge. In part, Simone leveraged her networks in the local fintech community. Best-in-class entrepreneurs were equally eager to be associated with CIBC as technology partners. The challenge, as she quickly recognized, was in bringing the chosen partners on board. She was struck by the enormity of her task when, after negotiating with several potential partners during the first few weeks, she started working with one of the partners to do proof of concept.

Borrowell was a Canadian fintech offering "fast, fair and friendly"[14] financial services, whose loan adjudication technology had a fit with both the audience CIBC was trying to target and the kind of services it wanted to provide for them. Consumers could apply online for a loan through the Borrowell platform, which held the requisite customer information from credit bureaus and other sources and could make an instant decision on whether the loan was appropriate in relation to the risk profile.

William Jacobs, co-founder of Borrowell, explained:

> We offered demos for executives from both the Retail and Technology divisions of CIBC over several weeks. The conversations quickly turned to working together. Soon, we had put in place several working streams, as we called them. For example, the technology stream was learning about each other's systems and processes and their integration; the compliance stream was looking at regulatory and security issues; and the contracting stream was working on legal agreements. There were several parts moving simultaneously. The closure, however, was taking time because of two factors. First, CIBC's processes, particularly around proof of concept, were designed for onboarding large-sized firms. They had to be scaled down to meet a firm of our size. Second, our technology had a fit with their needs alright, but it had to be scaled up to meet with CIBC's volume of operations. I think what kept us focused, in dealing with the mismatches, was a shared understanding of the business goals. It helped.

The traditional risk management model at CIBC required rigorous vetting while partnering with entities outside of the bank. For example, the bank had in place a procurement process (see Exhibit 3) designed

[14] "Who is Borrowell?," Borrowell, accessed July 12, 2017, https://www.borrowell.com/.

specifically to bring on board large companies, such as IBM, as part of outsourcing some of its back-end operations. Simone and her team soon realized they were moving back and forth from one stakeholder to the other, talking about the same things, repeatedly, without making progress.

Mid-way through the process of onboarding Borrowell, CIBC enlisted the services of a management advisory firm. The firm assigned Leonard Royan, one of its consultants who had played the role of facilitator in large innovation projects. His job was twofold: managing the relationship between Borrowell and CIBC and managing all of CIBC's internal stakeholders. Bringing everyone into alignment with the innovation objectives turned out to be a full-time job. Within weeks, Royan had relocated to the CIBC premises in downtown Toronto, where the enterprise strategy team was working.

Royan noticed areas of friction. For example, the understanding expressed at the first few meetings between CIBC and Borrowell was that they would be business partners. The term sheet, a document outlining the terms that would cover the relationship, was not longer than two pages. As people from other divisions at CIBC, such as Procurement, were drawn into the discussions, Borrowell came to be perceived as a vendor. The term sheet was replaced by a standard 350-page contract. The partnering agreement had turned into a master services agreement, and its language had little bearing on what had been said at the table.

Royan said,

> I sensed that, at a fundamental level, CIBC and Borrowell were willing to go beyond the individual good to a common good. But they were struggling to move towards a point of equilibrium. I sensed that at that point they could at best sustain the relationship. It would be fragile. As a facilitator, I had to move them beyond that point to a win–win orbit where the collaboration would bring benefits to both.

Royan reinforced the clarity of his approach by clarifying his own role. He decided to focus on deal closure as his singular objective. He put the master services agreement temporarily on hold and selected 110 terms on which CIBC and Borrowell had to reach a consensus. They included terms around—among other things—privacy, data security, and compliance. He then developed a position matrix outlining the posture held by each party on each item and the compromise both parties had to make towards a common position. He then proceeded to secure business alignment followed by legal alignment in a bid to reach closure. It was only by October that the team could bring Borrowell on board.

Simone recognized that her peers at CIBC were generally happy to have someone like her driving innovation, but she had to deal with pushback at a more fundamental level. Part of it stemmed from a lack of clarity in the objectives of digital innovation (which was coming into its own by then) and enterprise innovation (which she was beginning to launch). For a majority in the bank, digital innovation was associated with every change, big or small, because that was the way the bank was expected to be moving in any case. Unbeknown to many in the bank, the role of enterprise innovation went beyond cutting, copying, and pasting cookies to strategic concerns like finding new growth avenues and incorporating new business models.

CIBC had generated record profits during the year. High rates of growth were, of course, typical of Canadian banks in general in 2016, but Simone often faced questions—though in a lighter vein—such as, "We seem to be doing well; why should we change?" Or, more commonly, "Why fix a thing that is not broken?" One way of diffusing the pushback, as Simone saw it, was to deploy her mandate of tracking competitive banking trends and passing relevant briefs to businesses within the bank. Soon, her team was receiving requests from executives in the business groups for various inputs; for example, they would ask for market scans of an issue such as digital mortgage. They would also ask Simone to put them in touch with relevant players in the business.

Simone used every opportunity to identify the immediate needs of the business groups at CIBC and get closer to these groups in a bid to secure their buy-in as part of her larger goal of driving enterprise innovation in the bank. Very soon, she was extending the technique of getting closer to the business groups to find business sponsors from within the bank for the strategic partnerships she was negotiating. Borrowell, for example, was considered a retail product and the sponsor the bank's retail group. As part of negotiations, organizing a demonstration involving teams from both sides was the first step towards working on proof of concept.

The average age of CIBC employees was 42, an age when, given the choice between rocking the boat by thinking out of the box and keeping it steady by carrying on, a career professional would veer towards the latter. Simone found that CIBC's employee mix was not amenable to a uniform strategy in getting their buy-in for innovation. The mix varied.

ISSUES BEFORE SIMONE

Talks with several partners were in their final stages. Some had reached the proof of concept phase. One of Simone's immediate priorities was to ensure that the process of onboarding would not take six months for a single project, as it had done with Borrowell. She wanted to be able to bring multiple partners on board simultaneously.

Dealing with internal pushback was the first step towards internalizing innovation. Unlike digital innovation, in which the buy-in of end users determined the success of a digital product, enterprise innovation required employee buy-in for its success. Getting the heads of businesses on side was crucial because they would sponsor individual partnerships. Getting their crew on side was also crucial because they would execute the partnerships.

In this regard, Simone's team used two different techniques. The first was to change the tone of internal conversations. A "no" from a typical naysayer had always meant an end to the dialogue; there had been little room for flexibility or compromise, and the end was always abrupt. Simone had suggested to her team members that, in their conversations with naysayers, they should say "Okay," and ask, "What next?" They should ask them for their recommendations for the way forward. This was a challenge for the naysayers, who hitherto did not have to justify their negative stance on anything new in the organization. The second technique was to leverage informal networks. There were usually people in a business group favouring an innovative step, even though the head of the group might not be so inclined. Simone's team members had noticed that building on that small pocket of support, buried several levels deep in the organizational chart, often led to a turnaround of the situation. Simone wondered what other techniques, both overt and covert, she could deploy in dealing with the pushback.

From her experience with Borrowell, Simone had identified some takeaways that could be applied to managing open innovation in future projects:

- Onboarding required "a robust governance structure," as Mendes had put it. The governance structure would have several pieces. Putting together a dedicated team with overall responsibility for outcomes was one piece; forming work streams focused on specific packages of the bipartite deal was another.

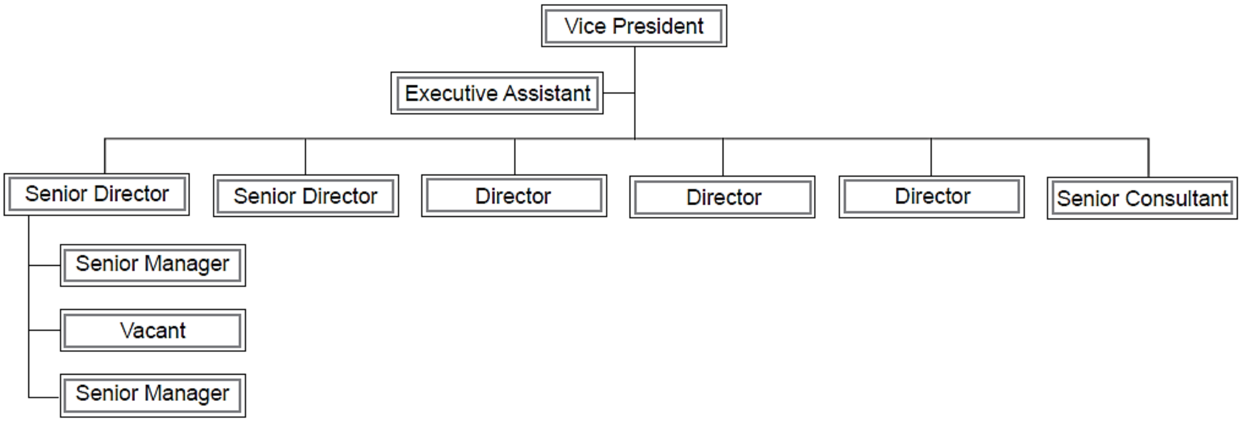
Ensuring that tasks and resources were not duplicated was a piece in its own right; it meant saving time on the deal.

- CIBC followed what was known as the "waterfall" method of technology development. This was characterized by a linear approach involving steps in the following sequence: documentation, design, coding, system testing, user acceptance testing, and, finally, handover. A new step would not begin unless the preceding step had been completed. CIBC had to reorient its approach to what was known as the "agile" method, characterized by sprints. Each sprint had well-defined deliverables bound within specific time frames. "It is difficult for us to understand," said Jacobs, "why even an individual business unit, albeit within a large institution, should follow the waterfall."
- Collaborations with fintech firms involved financial outlays for development work. CIBC's funding processes were not set up for financing test-and-learn projects. "There is tension in a large bank between in-plan funding, which is budgeted, and out-of-plan funding, which is discretionary," said Royan. "The tension plays into financing a development initiative involving a fintech partner. The funding is provided by the business division [that] sponsors the initiative, but the funding protocols are not always clear."
- Simone had preferred at one time for the task of the facilitator to be handled by someone on her team, but the current arrangement seemed to be working so well that a role expansion for the consultant was possible. He would likely be involved in onboarding future partnerships.

Simone wondered if her approach to managing open innovation, notwithstanding the results, was the right one. She had three apprehensions in this regard. First, was the role of a facilitator simplifying her task or adding a layer of complexity to it? There was a risk that the role would generate a turf of its own over time, which would be contrary to her vision of a flat structure in her division. Second, was the role treating a disorder or a symptom? Simone was in fact unsure, for example, whether the procurement process, which was holding up onboarding, was a symptom of a deeper malaise within the organization. Third, was the role diluting the link between innovation and strategy at CIBC? Her team's success in dealing with pushbacks, however limited so far, was largely because innovation was an integral part of CIBC's strategy tripod and had the backing of the CEO. Would the new role she had created weaken the link or strengthen it?

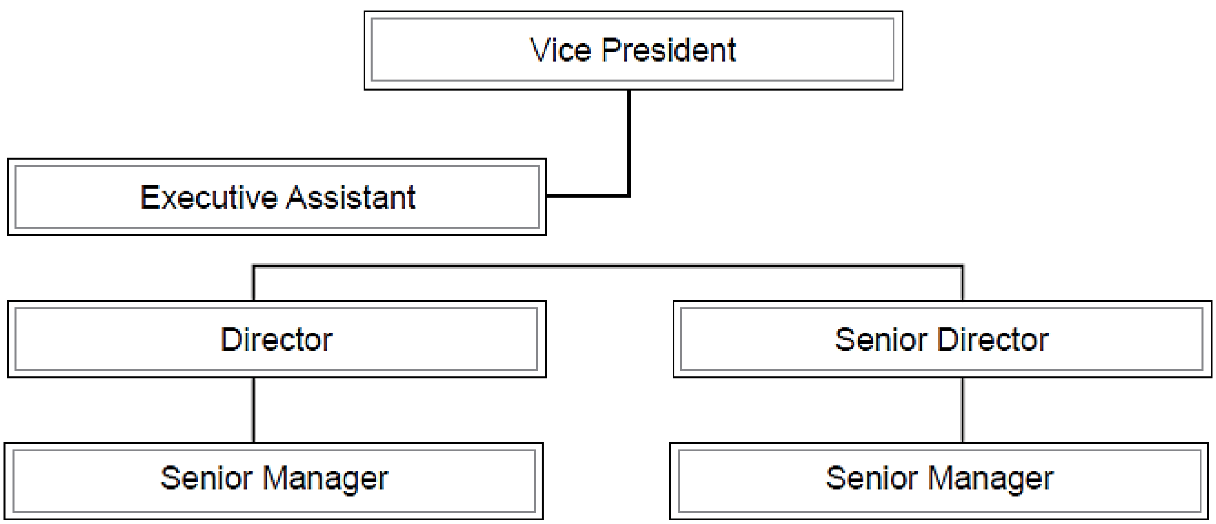
Simone also wondered whether she should pursue an enterprise innovation lab along the lines of the bank's Digital Lab. It would be a physical space in which her team and the short-listed partners could do proof of concept. The lab would have state-of-the-art technology and would be unburdened by legacy architecture. Two questions that would inevitably arise whenever she spoke to people about bringing in external inputs were, Can we not build them internally? and Will it cannibalize what we already have? An enterprise innovation lab located within bank premises would pre-empt such doubts. It would also make it easier to internalize innovation—or, would it?

EXHIBIT 1: ENTERPRISE INNOVATION ENGAGEMENT AT CIBC ORGANIZATIONAL CHART, JANUARY 2017



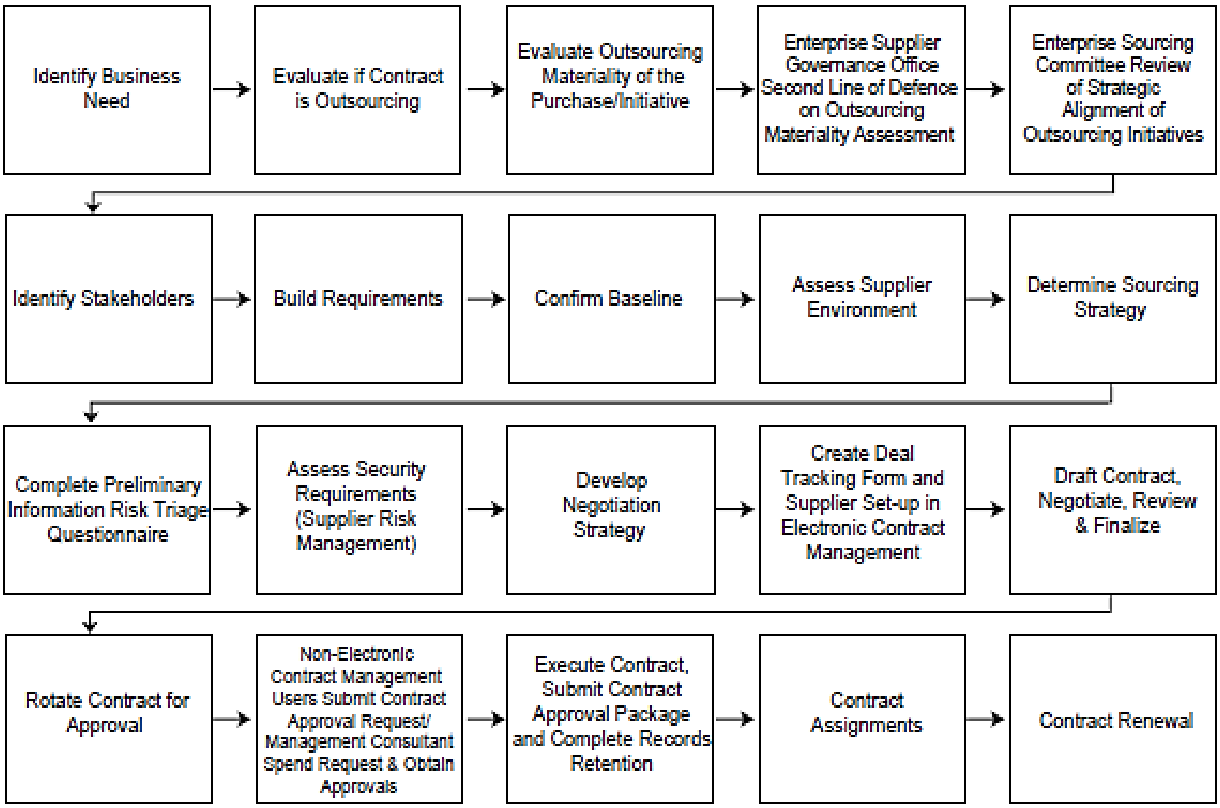
Source: Company documents.

EXHIBIT 2: ENTERPRISE INNOVATION EXECUTION AT CIBC ORGANIZATIONAL CHART, JANUARY 2017



Source: Company documents.

EXHIBIT 3: ONBOARDING PROCESS AT CIBC



Source: Company documents.