

The Digital Accelerator: The Schwab model for accelerating its digital transformation

What's better than digital transformation? A faster digital transformation—that delights customers, develops agile ways of working, and creates new value. Here's the road map followed at Schwab.



Despite notable successes in the market, Schwab wanted to accelerate its “digital” platform. In this interview with McKinsey’s Barr Seitz, Neesha Hathi, executive vice president and chief digital officer at Schwab, discusses her experiences in establishing a fast-moving Digital Accelerator to generate new sources of value for the business.

What challenges did you face in developing a completely new way of working at Schwab?

We faced two big challenges from the beginning: one was that Schwab is a very execution-oriented company—we weren’t going to be able to spend six months on developing a strategy. Secondly, we didn’t have a burning platform. Schwab had been achieving record numbers on many fronts: asset growth, customer experience, increased efficiencies. So unlike other companies that were attempting to transform while facing disruption or pressure to cut costs drastically, we didn’t have the same pressure to act fast, which made it a little challenging to introduce a new digital enterprise and new ways of working. However, we were aware that leaders move more quickly in adopting digital and that we wanted to change before we had to.

To address these challenges, we decided to bifurcate our portfolio—what we call “delivering today while transforming for tomorrow.” About 80 percent of the program is focused on supporting the current business and keeping things running. In parallel, we created a Digital Accelerator track to focus on developing new experiences that would have a direct impact on clients, and experiment with new ways of working. This is a smaller portfolio in terms of size, but it has the crucial job of reinventing how we work at Schwab.

What have been the most important elements in helping the Digital Accelerator succeed?

Three things came together for us that helped us succeed. The first is a clear mandate from leadership. This isn’t about “digital”; it’s about fundamentally transforming the company. Without

this kind of mandate, it would have been almost impossible to get key functions—HR, legal, risk management, etc.—on board.

Second, from the beginning, we focused on developing talent. When I presented to the board early in our transformation, they asked if I’d need to hire new people to drive the change. I knew we’d need to hire new people in areas where we really didn’t have much existing experience, but I also believed we could invest more in our current people. For example, our product-management teams were small, and we hadn’t emphasized training and development, so one of the first things we did was to focus here. Everyone undertook training in design thinking, how to facilitate a journey-mapping session, and how to prototype. We developed a playbook on journey mapping, which was based on lots of research and experience across the company. That playbook is now used across the entire company—it sits on my desk still.

Third, we focused on metrics. When I visited other companies undergoing similar transformations, one person shared their regret at not initially focusing enough on metrics. Of course, I understood the importance of metrics intellectually, but I did not truly appreciate their power until I “saw it in action.” When looking at our metrics, I realized we didn’t have enough clarity, so we put in place a new set of metrics and OKRs [objectives and key results] to establish a baseline that helped us show the direct financial impact we were having.

The other valuable element about metrics is their ability to help break down silos and unite teams. This is particularly true when focusing on cross-cutting metrics that help to measure and track entire user journeys. For example, take onboarding a new customer: each group that had a part of the process had its own metrics. That would lead to a good client experience but very manual back-end operations in some cases, or the reverse. Bringing cross-functional teams together at the very beginning and giving them all the same set of end-to-end metrics to drive towards put everyone on the same playing field.

How did you manage to hire at the scale you needed?

We've been very fortunate with talent. I was actually a little surprised by how relatively easy it's been to get the talent we want, even in this highly competitive market. I think it's because our culture and our entrepreneurial approach in the Digital Accelerator is the kind of place where people want to work. We also realized how quickly fintech competitors moved, so we designed a new process to be able to move from interview to offer in half the time we had previously.

At some points, we needed to hire lots of people at the same time, and we developed a technique that worked quite well. We put together an event, invited all of our prospects, and had our leaders there to speak and present. They talked about our mission, purpose, and strategy. We had our top experts there, so people could see the level of talent they'd be working with and really understand what digital Schwab meant. If the prospects were interested at the end of the event, they'd submit their names, we'd interview them the following week, and then a week after that, we'd make them an offer. It worked very well.

What is one of the most important lessons you've learned about how your agile teams work with the legacy business?

We were clear from the beginning about the need to involve key members from across the firm—compliance, information security, legal, marketing—from beginning to end. But it was a bit of a brute-force approach that required more effort than expected. We included them in the ideation phase, for example, and their ideas and ability to anticipate pitfalls were a big help. But at some point, we realized the importance of formal feedback processes for areas like risk, security, etc. In an iterative environment, we weren't really sure when to implement those more formal processes. If you don't involve the right partners until it's too late, it really slows things down.

We've recently invested time and energy in updating our approach so that it's more structured and consistent while still maintaining the dynamism of agile, including, for example, using risk-assessment tools at the beginning of a project and checkpoints along the way so we don't have any surprises at the end.

Basically, we've come to understand that, in some important instances, adding a little more process does help you go faster in the end.

What processes have been most effective in helping you and your teams evolve and improve?

We didn't want to have monthly steering-committee meetings per project or journey, since those can take a lot of time. Instead we have quarterly business reviews (QBRs), which is a great way to discuss our progress but not a great forum for showing what we've learned. So a couple of months into our programs, we started having monthly learning meetings with a small group of people that included my direct reports, our CTO, CIO, and their direct reports.

This is a forum where people can bring things they've been working on to share what they've learned and get the team to help see what can be brought to the rest of the company. For example, one person had been working on a training program for team operations, roles, and responsibilities and shared that with this learning group, who saw that it could then be applied in all the programs we were developing. These learning sessions help to surface what's going on close to the ground—in an informal way, no slides.

What are the most important challenges and opportunities you see going forward?

Our intention with the Digital Accelerator has never been to allow one ship to go faster but for the entire fleet to go faster and with better results. Our long-term success is dependent on scaling best practices into the rest of the organization. For this reason, one

big challenge is to figure out how to export our learnings, models, approaches, and products to the rest of the business.

Another challenge I see is to be able to build up our innovation muscle. The Innovation Accelerator, which we launched not too long ago, has been a real bright spot for us. It's allowed us to test new models and products with clients, prototype them, and vet ideas much more quickly. We've started rotating talent through the Innovation Accelerator, which is generating a lot of excitement and allowing us to get some great ideas into the market quickly.

For example, one of the Innovation Accelerator teams looked at something relatively basic but important for client experience and improving our scale: password reset. Most clients don't want to call us to reset their passwords, and it's not a valuable use of our teams' time to handle this request over the phone. So our Innovation Accelerator team created a new mechanism to help clients more efficiently access their passwords with all of the security baked in. The result is a win-win, allowing us to better serve our clients on their terms, while freeing up our people for more value-adding client consultations.

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