

IT Framework Adoption at USAA

How a commitment to agility, workforce capability and process excellence positioned USAA as an industry leader in mobile banking.

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The IT Framework Toolkit for Startups

Often when we speak of IT frameworks and maturity, it is from the perspective of established firms looking to resolve performance issues, or respond more effectively to changing market conditions that may include competition, declining market opportunities or adverse political and economic environments.

USAA implemented a set of IT frameworks in a way that illustrates why and how early stage focus on processes, modularity and workforce capability can position a firm positively in the market.

In this paper, I discuss the USAA IT framework relative to the IT Framework Toolkit for Startups. Concepts from the Toolkit for Startups will be discussed to

demonstrate how early stage adoption of IT framework principles can be an enabler for quest style, rapid-results delivery that we typically reserve for startup firms.

A culture of innovation supported by modular service-oriented infrastructure enables rapid delivery of products and solutions to market.

When composing the IT Framework Toolkit for Startups (Appendix A), the original intent was to build a modular infrastructure suitable for a young startup. The volatile startup environment, along with the often inevitable pivots in strategy, necessitate that any framework must be able to grow and adjust to support the organization, while reducing the need for expensive, wholesale changes down the road.

As startups and mobile app developers come under increasing scrutiny for data privacy concerns, frameworks that simultaneously allow for rapid market delivery and due diligence will be critical to ensuring firms can absorb market changes, such as increased FTC regulation, while also remaining competitive and relevant.

Building Workforce Capability

Talent management builds strong workforce capability when knowledge workers are poised to support the firm's core competency and competitive advantage in the market.

The culture at USAA rewards strong performance in several ways including an annual bonus to all employees based on overall company performance. In 2012, this bonus was 18.8 percent of employee's base salary, and was one of the highest bonus payouts in the company's history

can call into question the real sustainability of compensation plans.

Despite the consumer concerns, the bonus seems to be having a positive impact on the USAA workforce. In 2012, USAA was again named to the list of *Fortune's* 100 Best Companies to Work For (Fortune, 2012), and USAA spokesman Paul Berry attributes the company's top 20 ranking to programs promoting employee retention and performance improvement (Danner, 2012).

USAA has implemented talent

management initiatives that include extensive succession planning; scorecard-based performance reviews aimed at growing each individual's responsibilities; and, a matrixed organizational structure that includes interdepartmental 'internships' to broaden the experience of employees within a function (Ross et. al., 2010).

TALENT MANAGEMENT BUILDS A CAPABLE WORKFORCE
poised to seize new opportunities
delivering innovative products & customer solutions in a
high-growth startup firm.
a customer-driven culture of
teamwork, cost-consciousness &
process excellence
establishes the modular web services infrastructure today that will
deliver agile innovation for the future.

(Danner, 2012). Similar to NetApp, USAA has faced some criticism of its high bonus awards to employees (Chatterjee et. al. 2009). Adverse conditions in the market related to catastrophic events have prompted rate increases of up to 15 percent on some USAA insurance products (Danner, 2012). Consumer price increases, when held up against sizeable employee bonuses, can be a detractor and

Achieving Agility

Agility is the catalyst that accelerates market delivery of quality products that delight customers, while actively promoting a culture of innovation within the firm when it becomes adept at shifting top talent & resources to new market opportunities and strong portfolio bets.

USAA continues to excel in delivering

BY THE BEGINNING OF 2013:



33% of BI functionality will be consumed via handheld devices.

40% of organizations will provide data exclusively on servers for mobile devices.

73% of the workforce will be made up by enterprise mobile workers.

\$11 billion+

will be spent by US businesses on mobile app development



As businesses and consumers demand more from mobile BI software, commonly used user interfaces will be replaced by those that emphasize more natural interaction, allowing for the kind of diverse functionality already familiar to users in non-BI mobile applications.



Source: Domo (2012)

agility. Ross et. al. (2010) note that the company was quick to adopt iPads internally as a way to drive innovative thinking. USAA was ahead of a trend that predicts growing use of business analytics on mobile devices (Domo, 2012). Even though mobile development spending has declined during the recession, proliferation of advances in mobile hardware technology have not. This initiative was a creative way of building buy-in from the top down, and encouraging support for the inevitable infrastructure changes needed to implement mobile business intelligence and prepare USAA for a highly-connected

millennial workforce.

Connecting with customers digitally across multiple platforms was also part of this mobile directive. The company's leadership in the industry to provide check deposits via mobile devices is now a sought after service that is driving growth of new customer acquisition for competing banks. In 2012, three years after USAA first offered the service to its mobile customers, several major banks have launched remote deposit capture (RDC) including SunTrust, Bank of America and Wells Fargo (New, 2012). However,

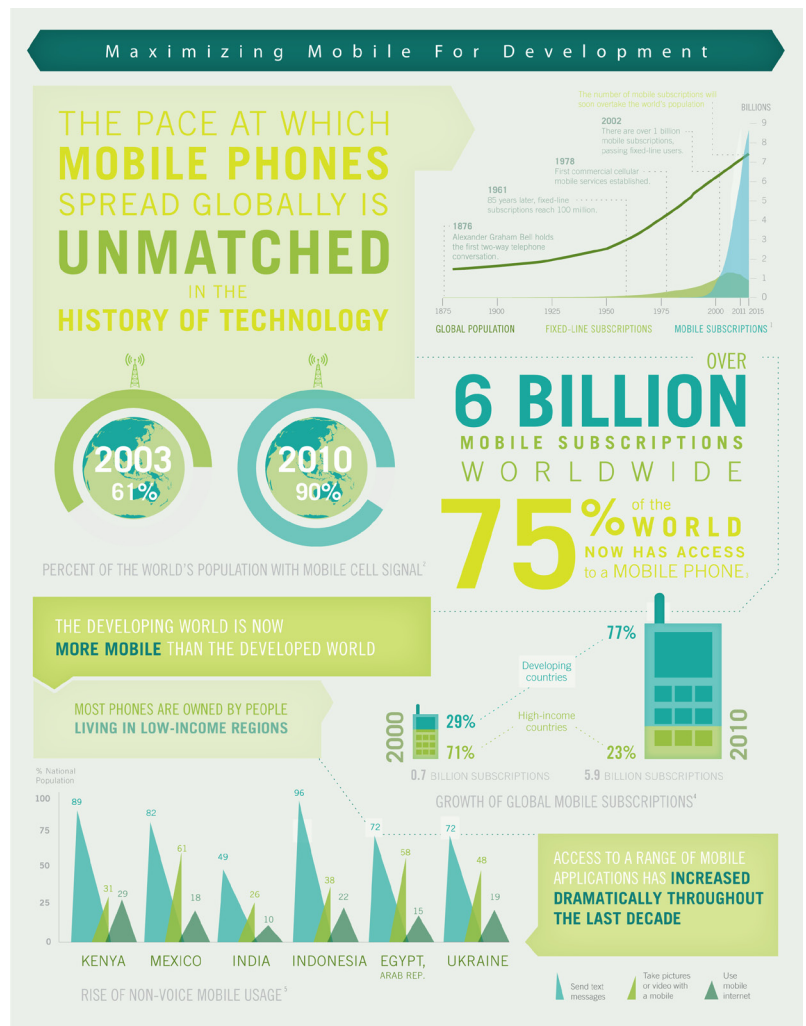
some banks, like Bank of America, have struggled to deliver a consistent user experience on mobile while USAA is rated by customers as a consistently best-in-class mobile banking app (New, 2012; iTunes App Store, 2012).

Frequent and regularly scheduled updates to software not only enable USAA to keep up with changing device configurations and operating system releases, but it also conveys a sense of reliability among customers that any issues with the app will be short lived.

With competing operating systems, screen resolutions and functional specifications rampant throughout the mobile industry, firms that have internalized an agile mindset will be better equipped to adapt and ensure they do not miss opportunities as new platforms emerge.

Since USAA caters primarily to armed services members and their families, the global proliferation of mobile presents an opportunity for the company to serve its customers stationed around the world. This increase in mobile devices also prompts the need for carriers to improve their infrastructure, and this is evidenced

by the fact that 90 percent of the world's population had mobile signal in 2010 compared to 61 percent in 2003 (The World Bank, 2012). For firms like USAA who might need to serve international constituents, reliable mobile infrastructure means customers can access rich features



Source: The World Bank (2012)

even when traveling. And indeed, as the infrastructure improves, customers will come to expect more non-voice functionality, like mobile internet, to be available on their devices.



Source: North Coast (2012)

and further encouraged IT staff to pursue leadership positions in other departments (Ross et. al., 2010). This behavior is counter to what one would observe in a firm facing talent shortages. Departments would not be able to handle losing highly talented employees, and thus may erect implicit or explicit barriers in the approval process for interdepartmental transfers.

USAA, on the other hand, saw the value of having technology experts embedded in the business units for short term two- to three-year rotations, as well as more permanent assignments, as part

Evolving From Products to Solutions

The solutions oriented firm promotes a culture of cooperation that spans boundaries to rally around the customer needs. Managers, metrics and incentives reward service and multidomain knowledge needed to be a cutting-edge solutions maker.

Talent management at USAA focused on communicating to new hires that their role as an individual contributor in technology delivery was to be viewed as short-term. Instead, USAA developed a process of grooming incoming hires to take on increasing levels of responsibility,

of an ongoing talent management and career development imperative. This sort of cross-pollination, along with the company's implementation of a matrix organizational structure, can enable a firm to achieve synergies needed to break down silos and focus not on individual products, but on strategic combinations of products that deliver value-add solutions to customers.

This is best demonstrated as Ross et. al. (2010) describe how USAA reorganized its call center away from individual lines of business towards a

model centered around customer life events. This reorganization standardized basic operational procedures from call center hours to employee training and development. Customers only needed to be asked for their information once since data was now centralized. This ensured that member service representatives could propose solutions comprised of several products. For example, if a customer

in their workforce to competently address organizational challenges.

When USAA created an enterprise innovation team in 2010, leadership was given free reign to choose anyone they wanted for the team. The innovation team was entrusted with reviewing ideas that were submitted through ICE, which was build on the salesforce.com platform. Employees were engaged in submitting

The heroics to deliver the first customer successes must be replaced with repeatable processes. The infinite flexibility in making a product meet the needs of those early adopters must become a properly managed product roadmap that delivers revenue and innovation at the same time. All that must take place while the train is running at full speed and without missing a beat, since setbacks at larger scales can be lethal.

- Panayiotis Vitakis
Director of Technology and Operations at Upstream

wanted to purchase a car, the call center representative could propose an integrated life event solution that included an auto loan as well as insurance for that auto.

Pursuing a Quest Management Model

The quest management model is well suited to high-growth startups and firms seeking to remain dynamic throughout their maturity evolution by focusing on intrinsic motivation that empowers talent to define the means for capturing real market opportunities.

USAA delegated the means of product, software and solutions delivery to employees, demonstrating a level of trust

and voting on ideas. Top ideas were then reviewed by the innovation team and shepherded through the discovery, funding, prototyping and project kickoff processes (Ross et. al., 2010).

Personal ownership of ideas was encouraged, and IT employees were directed to review suggestions in the ICE tool and be aware of any suggestions that impacted applications they supported. As a result, IT workers identified defects in software that management could accelerate through the review process and push forward to resolution (Ross et. al., 2010).

Working Smarter

Working smarter requires an ongoing commitment to leverage digital analytics in managing accountability and reinventing the organizational roles & structures essential to evolving from heroics to intelligent operations.

Establishing an IT framework early on enabled USAA to position itself for an expedient transition from what Ross et al. (2011) calls a culture of heroics to an evidence-based management culture. Over time, USAA was able to build a reusable IT framework that enabled several departments to leverage solutions built by another department. Often, aligning data can be one of the strongest impediments to implementing business intelligence systems, or even attempting to merge multiple systems into one single source of record. The reuse of architecture and code enables a firm to leverage synergies when combining data to analyze performance results.

By actively reusing code and infrastructure components, which could include databases, similarities in structure and functionality can facilitate the matching up of congruent data generated by disparate processes. In this way, USAA can ready itself to work smarter by identifying trends in its operations and initiating discussions to capitalize on data-driven opportunities. The focus on mobile use inside the organization, as well as externally towards customers, ensures that the company is poised to improve employee productivity, increase employee engagement and enable faster decision-making (Domo, 2012).

Rapid-Results

Rapid-results project management engages impact-driven project teams and adoption of an agile methodology by spearheading initiatives that reduce white space and integration risks, increasing successful delivery of products and solutions to market.

USAA demonstrated its commitment by launching projects in phases, which enabled teams to focus on a targeted subgroup and streamline their implementation efforts. Lessons learned would then be transposed onto other subsequent projects.

Even the initiative to provide some, but not all, USAA executives with iPads was an example of a rapid-results project management approach. As these executives become familiar with the iPad, which was relatively new technology at the time, they will offer feedback about their experiences in terms of what works and does not work in a business context. They will inevitably discover opportunities as well in terms of new strategic initiatives and customer engagement opportunities not readily identifiable when relying solely on laptops or desktop computers.

These approaches have another benefit, which is they enable technologists to begin planning modules and infrastructure that would be needed for a full-scale rollout, and this was something that USAA's IT leadership capitalized on. This not only reduces risk for projects upfront, but also contributes to the modularity of the organization as components are built for future implementation and reuse.

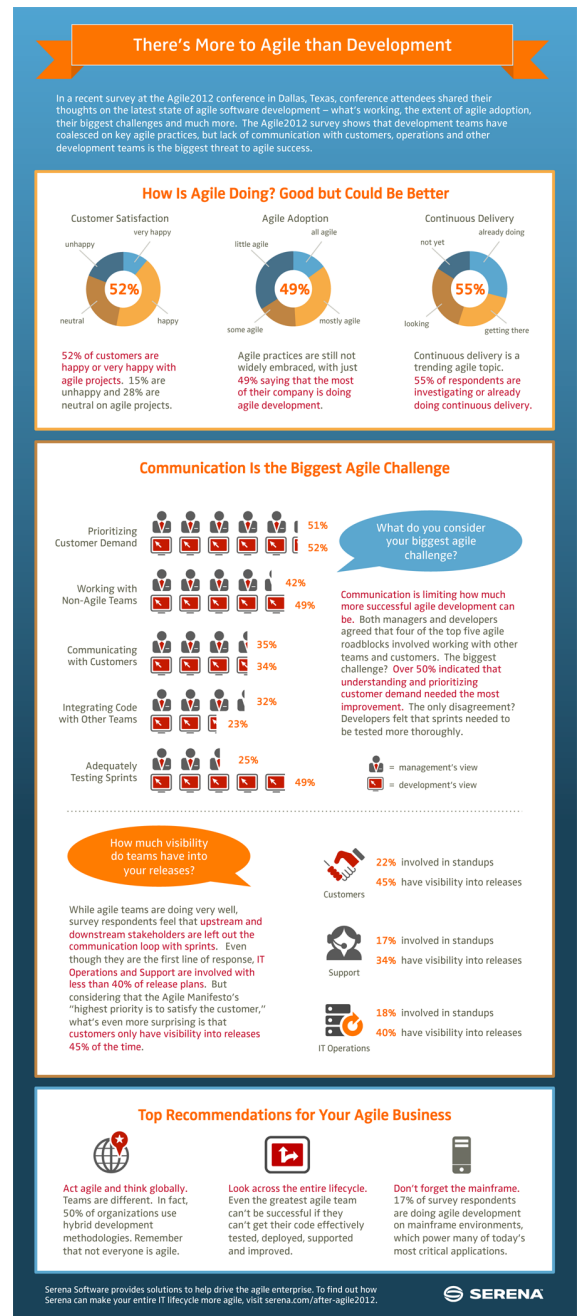
Process

Executive engagement coupled with top talent performers inspire high-efficacy process design that supports a customer driven culture of teamwork, personal accountability and enterprise capability.

Rapid-results could not be possible without efficient processes. USAA built a series of executive and manager level committees that each owned a process for moving projects through the pipeline. Enterprise Strategy and Planning along with IT were jointly responsible for enabling enterprise innovation. The Executive Council, which was composed of presidents from each line of business, set business direction and business goals. Their decisions defined the criteria by which projects would be judged for prioritization and funding.

Project Portfolio Governance took the strategic imperatives laid out by the Executive Council and ensured that projects were appropriately assigned to the portfolios best suited for their risk profiles, business requirements and similar business goals. The portfolio managers were then expected to make tradeoffs to ensure that the highest ROI projects were allocated funding in proportion to their timeliness and impact on overall business strategy.

Through these and other committees and departments outlined by Ross et. al. (2010), USAA was able to create an interconnected network of processes and process owners that ensured projects moved through the pipeline efficiently, and that future process needs could be



Source: Serena (2012)

addressed.

Communication is noted as a key impediments to agile project management, with 50 percent of survey respondents saying that the need to understand and prioritize customer demand is one of their biggest challenges (Serena, 2012). Processes like the streamlined rollouts to subgroups, committee assignments, and employee-

voted initiatives also created a framework for agile project management practices to thrive at USAA.

Absorption

Absorption strategy enables a firm to weather competitive forces through low fixed costs, high cash reserves and lean staffing. Additionally, a variegated product and service pipeline diversifies cash flows attracting powerful patrons incentivized to stay engaged.

When USAA built a reusable library of components, it enabled the firm to develop new products by recombining existing functionality in novel ways. Innovation can be realized not just from inventing something completely new, but by delivering an exciting product that leverages existing concepts or technologies. This in turn lowers the overall unit cost of delivering a project in terms of billable time and resource allocation. In this way, USAA can continue to innovate even during lean times because it has implemented a process for capturing reuse opportunities generated by one project, and maintaining a culture and governance structure that promotes reuse of those components.

Fast delivery of quality products also resonates with customers. USAA enjoys loyalty from its customers because of its superior products, like its mobile check deposit feature. A commitment to the customer permeates other management decisions as well including what products are available and the ethical behavior of the business overall. Quality service and products combined with effective

oversight and governance contributes positively to the USAA brand, thus building a powerful base of loyal customers who are more willing to stick with the company during difficult economic times than they are to endure the switching costs of moving to a competitor.

Modularity

An organization develops modularity by implementing a service-oriented architecture foundation supported by best-of-breed business software, skilful knowledge workers and agile process capability.

Ross et. al. (2010) notes that a focus on modularity is not always popular. Investments needed to create a unified technology platform, applications services and cross-functional process synergies are necessary in the quest to achieve faster time to market, but are not necessarily benefits that can be realized in the short term (Ross et. al., 2010).

USAA measured itself against the industry for time to delivery and found that in 2009, they were able to deliver in 178 days, a 32 percent decrease when compared with the industry benchmark of 235 days (Ross et. al., 2010). The company was on track to deliver to market in 165 days the following year, thus demonstrating the value that had been realized by investing for the long-term, and developing a platform that supported technology standards, automation and institutional reuse (Ross et. al., 2010).

For mobile apps and mobile web, the need for reuse becomes even more critical.

Companies are increasingly forced to address the disparities between their desktop and mobile web experiences. As the use of mobile web increases, users expect that an email link or a link shared through social networks will open a page that has been optimized for smaller screens. Responsive web design allows mobile web publishers, like USAA, to leverage CSS, HTML5 and JavaScript to create experiences that scale based on the browser size and specifications. Ideally, the code should be fully optimized for mobile, which includes removing extraneous scripting and code and

operating system to another can create cost challenges. This is an area where processes and modularity can address the need to quickly replicate functionality for multiple app marketplaces.

Maturity

A culture of innovation built on a modular Web services infrastructure where talent is rewarded for productivity while optimized processes enable rapid delivery of products and solutions to market.

The processes for reviewing, greenlighting and delivering projects ensured that USAA

Location information is extremely sensitive information. GPS can pinpoint consumers down to 10 meters of accuracy. Companies aren't protecting the information the way they should. Half of apps give out location information to third parties without users' knowledge.

- Sen. Al Franken (D-Minn)

reducing the size of images. However, if an organization is pressed for time or budget, they can leverage principles of responsive design to ensure that the existing desktop website can scale its form factor and functionality for optimal display across many mobile screen settings.

Mobile apps offer firms with opportunities to drive repeat engagement for the long term, while mobile web helps to grow the mobile user base for those not on a smartphone supported by an app marketplace. USAA capitalized on this by leading the industry with its mobile app. However, as new platforms, like Android, appear, the need to convert apps from one

project delivery efforts were aligning to the organization's strategic imperatives, and that line of business leaders were tasked with managing tradeoffs necessary to ensure that the highest value projects received the most resources. USAA IT championed delivery of a modular infrastructure built on consistent technology platforms and standards allowing them to capture reusable data and software components both preemptively, and after successful projects were delivered.

USAA realized that to continue along this path, a motivated and highly capable workforce was needed. People CMM

is built on the idea that focusing on technology and software delivery alone will not achieve maximum benefits for the organization if the talent management practices around rewards, training and career development do not positively impact employee capability and motivation (Curtis et. al., 2001). Taking a multipronged approach allowed USAA to achieve Stage 4 maturity and become an agile firm well prepared to exploit innovative opportunities.

Conclusion

Process, governance and workforce capability maturity need not be synonymous with impeded growth. Instead, these cornerstones of IT framework best practice can increase a young firm's ability to seize opportunities in a measured way, and position them to capitalize on high ROI opportunities in the future.

In the case of USAA, we see how their commitment to modularity, workforce capability and governance all helped to cultivate an environment where the firm could capitalize on the digital revolution, especially as mobile devices and usage continue to advance. The fact that mobile check depositing was implemented by USAA a full three years before larger competitors demonstrates both their willingness to embrace new technology, as well as their maturity as an organization to develop and manage new implementations successfully.

Appendix A: IT Framework for Startups



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