

Digital Transformation Without Losing the Human Touch

For 30 years, First Republic Bank has prided itself on delivering a white glove service to its clients in private banking and wealth management. But as consumers began migrating to mobile devices for banking, the San Francisco-based bank faced a dilemma.

Interacting with clients through digital channels minimizes the element of human contact — something that First Republic Bank has long seen as important to its success. But not moving aggressively into digital also meant that the bank would not meet the changing needs of its clientele.

The bank realized that it needed to digitally transform — but in a way that kept its “high touch” service intact. In this interview, sponsored by Mphasis, Knowledge@Wharton sat down with Hugh Westermeyer, deputy chief information officer at First Republic Bank, to talk about the company’s digital transformation.

What follows is an edited version of that conversation.

Knowledge@Wharton: We’re here today with Hugh Westermeyer, deputy chief information officer of First Republic Bank, to talk about digital transformation. With digital technologies disrupting everything from how we hail cabs, book hotel rooms and the way we bank, the status quo of many established companies is being challenged.

First Republic Bank is well aware of these digital changes taking place, and we’re here to talk about how the bank is adapting to this new marketplace.

So first of all, how do you define digital transformation? What is it, exactly?

Hugh Westermeyer: Well, for us, it’s really focusing on leveraging technology to improve experiences, both for our clients, and for our internal users, who are also, of course, our clients, from an IT standpoint.

Knowledge@Wharton: How is First Republic Bank enacting this digital transformation? And if you can be specific, that would be great.

Westermeyer: First of all, it helps to understand us just a little bit.

Our bank, First Republic Bank, is really focused on providing a more old-fashioned service model of in-person, high-touch service. And so, we have a lot of processes built around people helping our [external] clients or our internal clients [employees].

For us, a focus on digital transformation is applying automation internally to help with better work flow, to help provide a high-tech-enabled, high-touch experience for our internal clients. That means working on things like better delivery of information.

We have a semi-custom customer relationship management system that we built to deliver comprehensive relationship information to people who work with clients. It’s also focusing on a number of work-flow-enabled systems to achieve a goal of single data entry, and then the re-use of data.

We also, as a bank, are a little bit different in terms of [adhering to] the holistic view of serving our clients. We don’t have [employees working in] silos: “I do only investments, and you only do deposits.” We all work together to serve the

client. So leveraging technology to access these disparate data stores is important in order to provide those [exceptional customer service] experiences.

Externally, it's really the same story. We're renowned for our service that we provide to our clients. We go the extra mile. You can always get someone on the phone. We're there to help you. So [digital transformation for us is leveraging] technology to provide the same sort of experience.

Nowadays, not everyone wants to do everything in person. There's a lot of desire for self-service. Certainly in commercial banking, there are a lot of activities that our clients need to do themselves. So we're really focused on providing an excellent digital experience, whether that's online, mobile, or some combination, in order to support what our clients are trying to do.

Knowledge@Wharton: Could you give us examples of how you're improving the digital experience for your external customers?

Westermeyer: It's really the same concept as for the internal systems. The nature of the business is that our clients have quite a few relationships or accounts with us. Traditionally, these are siloed. You have different systems to do different things. So, much of our [digital transformation is focused] on bringing this information together into one place, so you can see it all at once. You can transact with it all at once, and it just makes it a lot easier for you. As I said, our focus as a bank is to serve you, as a client, holistically. And we want to make sure technology does ... provide that holistic view.

Secondly, our focus is on ease of use. We are doing a significant amount of work looking into usability, user interfaces and the overall user experience — so that things flow very smoothly. We take advantage of current state-of-the-art user interfaces and styles, so that it's a very familiar and easy-to-use experience for people.

Knowledge@Wharton: What are the goals of your company's digital transformation when you started on this journey?

Westermeyer: For us, it's supporting the growth of our bank. We're a very fast-growing institution. For internal use cases, it's focused on supporting that growth while being efficient. Besides providing that excellent experience, the reality is, more efficient and effective experiences for our internal users make it more cost-effective for us. If you can enter data once and use it many times, there's less re-work; there's simply less work. As we grow, it helps us become more efficient and we can serve clients better because we have the right information that you can access the first time.

For the external view of this, it's focused on the changing needs and dynamics of the marketplace. Of course, there's a huge shift towards mobile-first-type experiences that we need to stay current with. But also, [we want to make the digital experience] easier for our clients. Our clients have choices; we're not the only bank out there. The focus is to make sure we continue to provide that First Republic Bank-style and level of experience digitally as well as when you come in and visit us in one of our branches.

Knowledge@Wharton: What were some of the results of your digital transformation?

Westermeyer: It's still a work in progress. To date, we've rolled out many new systems internally and I'd say that we're still working on it. Things are getting easier, but some of the bigger wins, such as new systems to help with loan origination, are still coming. Externally, we've recently rolled out some new technology, both for our internal users as well as external users, to do certain types of lending. And we're getting great traction with that. It's also a great product that we're offering.

So part of this is fighting the war, not just the battles. In other words, we have to take a long view ... to make sure that we are continuing

to focus on the overall end goal while hitting specific milestones with each release that we do. We're right in the middle of delivering a new consumer experience. We're developing sort of a hybrid internal and vendor [created system]. So a few months from now, we'll have the results of that. We know that our clients are going to be quite happy, based upon testing.

Knowledge@Wharton: As you went through this digital transformation, what hurdles did you have to overcome?

Westermeyer: First of all, [First Republic Bank has] a very supportive environment [when it comes to fostering] people's ideas. There's really no pushback on the concepts. It's really more of ... our history being focused on that high-touch experience, which has historically caused us to put less focus on the more high-tech, digital experience.

For us, the hurdles are mostly internal — going from mostly outsourcing things, to now having pretty much every new system and process that we implement a hybrid in-sourced and outsourced model. So, we went from having limited support needs to very high support needs, as well as going from simply buying a vendor package, to focusing on customization. Because the reality is, no one sells a piece of software that really represents the First Republic Bank experience. We need to modify that, configure it, or in some cases build it, in order to deliver the results we're looking for.

These are in some ways new muscles for us [to flex] here within the overall IT environment. I say overall, because it's not just the IT group. It's also all the different business groups that we work with that have to think up the requirements, do the analysis and look at the overall user experience. They have to look at how, from maybe a marketing standpoint, everything integrates together.

Previously, we focused on a vendor-provided experience or in many cases a multi-vendor-

provided experience. While we might not have gotten exactly what we wanted, it was a pretty straight forward process to get it. Now as we start to introduce much more custom development into the mix, it really changes the nature of our work. That's been the main hurdle but in some cases it's also one that we have made for ourselves and also one that we can pace ourselves on too. We don't have to change everything overnight. It's the overall journey here; it's a series of steps.

Knowledge@Wharton: What's next for your company in digital transformation?

Westermeyer: The next thing is to keep our heads down and continue the work that we're doing. As I said, we will be delivering new online and mobile experiences for our consumers ... later this year and we have a number of new systems we're going to be implementing internally as well as new analytic and Big Data-type capabilities. We have a lot of work that's going to be delivered this year. We started a lot of work last year that put us into high gear on that transformation journey — we'll be delivering that this year.

You can't do everything all at once and so try to pick your priorities ... and stick with it. That's key. I think First Republic Bank, as well as every company, is faced with a lot of different priorities that will come up. And it's difficult to just change course. We're trying to focus on several significant initiatives and follow through with them while not ignoring others. But we also make sure we don't completely change directions all the time either.

Knowledge@Wharton: Any insights or tips you'd like to share with others who may be going through their own digital transformation?

Westermeyer: The main thing that I would offer ... is to have a vision, come up with a high-level strategy, then have a pretty flexible plan. The key is staying the course. It's hard and it's expensive and disruptive to start and stop initiatives — but it happens. So it's important to know, as you start

on the journey, what your destination is. That's the vision. And how does that play out in terms of what you're trying to achieve?

The strategy should be a set of steps or components that need to be delivered to either achieve that [goal] or eventually lead to it. The strategy can be in many cases accomplished in pieces. This is where the flexibility comes in. All too often people come up with a single project that's going to change everything and that project either goes on and on for a long time and the

results may not be delivered because things change over time or the project is so big it never really gets off the ground.

So have a big picture vision and a high level strategy with a series of interconnected components, which are smaller projects that can come and go and you can stop and start them a little bit without giving away the bigger picture. That's something we use to pretty good advantage. ■