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No. 5 WASHINGTON MUTUAL

Advantage WaMu: The Check Isn't In The Mail

SEATTLE, THE CAFFEINE CAPITAL, doesn't sprint to mind as a center of banking and finance. But the headquarters location of Washington Mutual, the No. 5 company on this year's *InformationWeek* 500, isn't the only thing that sets it apart from its competitors.

WaMu, as it's commonly known, is cut from different cloth than other banks. In the past year, it's won a slew of awards for customer service, innovation, and being a great place to work. Much of that success can be attributed to its leadership role in applying IT to making banking easier for thousands of customers. "Every executive, every leader recognizes that in order to be successful, our technology has to be very, very strong," says Debora Horvath, executive VP and CIO.

Free online checking, rolled out as a service last year, is one of the company's most recent innovations. A couple of years ago, Richard Blunck, the company's director of e-commerce, received a late-night phone call from then-chief marketing officer Brad Davis, pushing the radical idea of no-cost checking with added services after a meeting with other executives earlier in the day. "In many cultures, people would say, 'Oh, I don't like the sound of that,'" Blunck says.

But CEO Kerry Killinger "pushes innovation and really believes in it to our core," says Blunck. "Here, it's like 'Cool, it's playtime.'" By May 2006, WaMu had set up a free online account-creation system called Instant Checking that for the first time didn't require customers to come in to one of its 2,225 branch offices to set up an account.

In the old model, setting up WaMu accounts online could take weeks, including a visit to the bank to sign a so-called signature card to verify a customer's signature

for security purposes. With Instant Checking, opening an online account takes four steps that can be completed in seven minutes. Being "simpler" is the key to success with online products, Horvath says. "People who go online want convenience; they don't have a lot of time, and they don't want to spend it tied up with their computer."

So, simpler it is. Here's the process to establish an online checking account with WaMu: Enter name, address, and other personal information; verify identity by answering questions that are

known only to the account holder; provide a user name and password; direct WaMu how to fund the new account, for example, via wire transfer, direct deposit, or credit card. Voilà, that's it. The system automatically sends checks and a debit card to new members, and a savings account can be added with one click of a check box rather than filling out a separate application. Once a customer writes his or her first check, that check acts as the signature card to securely validate the account.

By May, online metrics company ComScore found that 35% of all new online banking customers were going to WaMu, more than doubling the rate of any other free checking account. Before Instant Checking, WaMu opened 2,150 online accounts a month. Today, it's opening more than 2,700 accounts daily, a growth of 3,720% in 15 months. And Instant Checking saves WaMu about \$20 million a year on the cost of opening accounts, much of that in reduced handling time and paperwork.

FAST AND NIMBLE

WaMu's e-commerce team, with just over 200 employees, is smaller than some of the bank's competitors. Yet Blunck, the former CEO of Kmart.com, refuses to sit



Green computing is next on CIO Horvath's IT agenda

around waiting for other bank Web sites to innovate and then mimic them. Instead, he draws on his experience in the retail world to come up with new ideas, and his team acts quickly, working with customers and technology vendors to spec out projects like Instant Checking, building prototype software in as little as 48 hours with an application simulation product called iRise, then pushing forward into development and testing.

WaMu.com gets more than 2 million visits a day and is on track to exceed a billion this year. What that tells Blunck is that there was pent-up demand for easy-to-use online banking services. "Before we did this, there really weren't a lot of options" among large banks, Blunck says. More than two-thirds of WaMu's online customers are new to the bank, and a "good number" are from places where it doesn't have physical branches, he says.

WaMu's Web site continues to evolve. Two years after its last overhaul, another redesign is in the works, with a focus on ease of use and personalization, such as individually targeted advertisements. "The biggest challenge in doing this new project is all the people saying, 'Rich, why would we want to do that? We just won all these awards and people love the site,'" Blunck says. "And I say, 'Well, that's innovation.'" Eventually, Blunck wants to offer customers more in the way of mobile banking, but he's waiting for increased demand before articulating a plan.

WaMu, with 54,000 employees, is adopting Web 2.0 technologies for internal communications and collaboration. A blog by chief operating officer Stephen Rotella received 4,500 comments in its first four months. Horvath keeps tabs on a Web page used by the company's IT staff to post, rank, and analyze ideas for new projects. Top-ranked projects are more likely to be chosen and implemented by IT leadership. Horvath compares the system to social news site Digg, where readers rate and comment on news submissions.

The bank also has made its loan application processes faster and more efficient by integrating paper-based consumer lending processes with its Electronic Loan File project, whereby loan documents are digitized, processed, and stored electronically. That cut 60 minutes from the process and made information more accessible. WaMu will save an estimated \$17.6 million in related labor, file storage and destruction, and materials expenses this year and next. Meanwhile, bank employees can access loan data in real time. One element of the Electronic Loan File project known as Quick Close allows 15% to 20% of auto-

matically approved loan applicants to sign closing documents before they leave the bank after applying.

DECISIONS, DECISIONS

After revamping workflow procedures, WaMu turned to systems it uses to decide who got loans and for how much. What emerged was the Enterprise Decision Engine, which consolidated six systems that calculate credit scores, risk, and appropriate lines of credit onto one digital platform. Now decisions are made more quickly and consistently because all rely on the same underlying credit risk data. Small-business lending decisions that once involved two weeks of paper shuffling are completed in 16 seconds. "Whenever you have multiple systems across product lines, you can present inconsistencies to the customer," says Horvath. "It's really important to us that we simplify everything so we understand the single relationship we have with the customer and present ourselves in a very consistent, reliable, simple fashion to them."

Lately, the shaky housing market has been giving WaMu fits. In April, WaMu, the seventh largest U.S. bank, announced a \$2 billion assistance plan to subprime borrowers that includes counseling and discounts on refinanced loan packages. Then, in July, Moody's Investors Service fingered units of WaMu as culprits behind ratings downgrades on mortgage securities. The company's stock declined 22.5% from July 3 to Aug. 3. "The difficult mortgage environment continues to pressure results," WaMu said in a statement with its quarterly results last month.

The Enterprise Decision Engine should help WaMu make better lending decisions. And WaMu is consolidating different application-to-fulfillment systems for home loans, which Horvath says could decrease home buyers' loan expenses by making them aware of more options. It has also developed decision support and modeling software that gives customers better information with which to make loan decisions.

"Hopefully, every CIO in our industry and every technologist is focused on how they can help their home loans business be effective through this storm," Horvath says.

What's next? WaMu's embarking on a green computing initiative—symbolically planting trees for every customer who switches to paperless accounts. Data center consolidation and server virtualization are part of the plan, too, Horvath says. The bank is even increasing the temperature a bit inside its data center to save energy. Business technology innovation, it turns out, sometimes requires real sweat. —J. NICHOLAS HOOVER (nhooover@cmp.com)

PEOPLE WANT
CONVENIENCE.
THEY DON'T HAVE
A LOT OF TIME
AND WON'T SPEND
IT ALL ONLINE.