

The Charles Schwab Corporation (Charles Schwab) is a San Francisco-based financial services company. Like many companies in that industry, Charles Schwab struggled during the economic recession. Founded in 1971 by its namesake as a discount brokerage, the company has now “grown up” into a full-service traditional broker-age firm, with more than 300 offices in some 45 states and in London and Hong Kong. It still offers discount brokerage services, but also financial research, advice, and planning; retirement plans; investment management; and proprietary financial products including mutual funds, mortgages, CDs, and other banking products through its Charles Schwab Bank unit. However, its primary business is still making stock trades for investors who make their own financial decisions. The company has a reputation for being conservative, which helped it avoid the financial meltdown suffered by other investment firms. Founder Charles R. Schwab has a black bowling ball perched on his desk. “It’s a memento of the long-forgotten bubble of 1961, when shares of bowling-pin companies, shoemakers, chalk manufacturers, and lane operators were thought to be can’t-miss plays on the limitless potential of suburbia and turned out to be duds.” He keeps the ball as a reminder not to “buy into hype or take excessive risks.”

Like many companies, Charles Schwab is fanatical about customer service. By empowering front-line employees to respond fast to customer issues and concerns, Cheryl Pasquale, a manager at one of Schwab’s branches, is on the front line of Schwab’s efforts to prosper in a “resource-challenged economy.” Every work-day morning, she pulls up a customer feedback report for her branch generated by a brief survey the investment firm e-mails out daily. The report allows her to review how well her six financial consultants handled the previous day’s transactions. She’s able to see comments of customers who gave both high and low marks and whether a particular transaction garnered praise or complaint. On one particular day, she notices that several customers commented on how difficult it was to use the branch’s in-house information kiosks. “She decides she’ll ask her team for insights about this in their weekly meeting.” One thing that she pays particular attention to is a “manager alert—a special notice triggered by a client who has given Schwab a poor rating for a delay in posting a transaction to his account.” And she’s not alone. Every day, Pasquale and the managers at all the company’s branches receive this type of customer feedback.

Discussion Questions

1. Describe and evaluate what Charles Schwab is doing.
2. How might the company’s culture of not buying into hype and not taking excessive risks affect its organizational structural design?
3. What structural implications—good and bad—might Schwab’s intense focus on customer feedback have?
4. Do you think this arrangement would work for other types of organizations? Why or why not?