Case study

Charles Schwab IT infrastructure rationalization

How program structure and portfolio prioritization halved the path to $15M in annual savings

Program delivery series.

Migration of 1,100 Solaris and AIX servers and 145 applications to a standardized Linux/Intel platform. $8.8M run-rate savings in 18 months. Independently validated by The Research Board across 22 major enterprises.

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Core thesis. Time-to-savings programs fail when they lack portfolio prioritization, integrated planning, and financial visibility. lateralworks turned a 400-project backlog into a sequenced, measurable execution engine by applying the same program structuring discipline used in time-to-market product delivery, reframed around cost-savings velocity rather than ship dates.

Overview

Abstract

Charles Schwab launched the IR program to migrate over 1,100 Solaris and AIX servers and 145 software applications onto a standardized Linux/Intel ("Lintel") platform. The target was a $15–25 million reduction in annual IT operational run-rate, delivered fast, with minimal disruption to the customer-facing trading and brokerage systems that processed millions of transactions daily.

When lateralworks engaged, the program was already underway but stalling. Over 400 loosely prioritized projects competed for limited resources. Meetings ran 20+ attendees with no clear ownership. The technical ideas were strong (virtualization, standard stacks on low-cost hardware), but the program lacked the governance structure and sequencing discipline to convert them into measurable savings.

lateralworks restructured the program around four interlocking interventions: strategy-to-execution alignment workshops with Schwab executives; a macro plan built on six milestones with explicit doneness criteria; a portfolio prioritization model that revealed 70% of savings concentrated in three business groups; and a dynamic financial tracking system that gave the team real-time visibility into actual versus forecast savings.

Within 18 months, the team realized $8.8 million in annual run-rate savings and migrated 60% of the server fleet. At completion, the server count dropped from 1,100 to 400, a 64% reduction, ahead of both savings targets and schedule. The program won Program of the Year at Schwab, and the execution model was adopted as a repeatable practice across the division. An independent study by The Research Board Inc., benchmarking rationalization initiatives across 22 major enterprises for American Airlines, identified lateralworks as the key vendor in the services portion of the initiative and documented Schwab's results alongside programs at Bank of America, ExxonMobil, Lockheed Martin, Shell, and others.

$8.8M
Run-rate savings, 18 months

64%
Server fleet reduction

1,100 → 400
Servers consolidated

~50%
Schedule acceleration

01

The context

Infrastructure at a crossroads

In the early 2000s, Charles Schwab operated one of the largest online brokerage platforms in the United States, processing millions of trades and serving over seven million client accounts through data centers in Phoenix and San Francisco. The technology infrastructure had grown organically over years of rapid expansion. The result was a sprawling fleet of over 1,100 servers running Solaris and AIX, supporting 145 distinct software applications across multiple business groups.

The pattern was common in financial services at the time. Server sprawl had spread across the industry: data centers filled with underutilized machines, each hosting a single application, utilization rates often below 30%. The cost of maintaining this heterogeneous infrastructure (licensing, power, cooling, physical space, specialist staff for multiple Unix variants) consumed a growing share of IT budgets.

Schwab's leadership saw that migrating to a standardized Linux/Intel platform — the industry's "Lintel" stack — could cut total cost of ownership sharply. CIO Geoff Penney advocated openly for the move, stating his intent to put Unix workloads onto commodity Intel hardware running Linux [5]. The logic he gave Network Computing was simple: commodity hardware wins on cost, and standardization simplifies operations.

The IR program followed from this conviction. The mandate: cut $15–25 million from annual IT run-rate by migrating the distributed server fleet to Lintel in under three years. The measure of success was dollars per quarter, not ship dates. This was a time-to-savings program.

02

The challenge

Why this was failing

When lateralworks began its assessment, the IR program had already been running for several months. Technical talent was strong and the strategic direction was sound, but the program was foundering on the same organizational failure modes that kill large-scale transformation initiatives across industries.

No structure, no ownership

The team had ballooned into 20-person meetings with no clear ownership of deliverables, no team structure, and no integrated planning. Specialists had completed detailed technical analysis, but without a common framework, no one could see how individual contributions fit the overall program. The prevailing mood was urgency without direction: pressure to demonstrate activity regardless of whether it moved the savings target.

400 projects, no prioritization

The 1,100 servers and 145 applications were grouped into roughly 400 projects, each tied to server clusters and the business groups that owned them. Every project had equal priority. The instinct was to start as many as possible at once, the recurring failure mode of large programs that confuse activity with progress. There was no model linking individual project completion to the overall savings target. Without that link, the team could not tell which projects would deliver the most savings, in the least time, with the least disruption.

Existential risk to the franchise

This was not a back-office cleanup. The server fleet included critical customer-facing systems, including those running schwab.com, the primary interface for millions of retail investors. Any downtime during migration could cost the company millions in lost revenue and damage client trust in a business built on reliable access to accounts and trading. The sequencing had to protect the franchise while accelerating cost savings.

lateralworks' assessment. The technical base was strong, but the program lacked a structure to channel the expertise. Without portfolio prioritization, integrated planning, and clear ownership, 400 projects would keep battling for resources with no measurable progress toward the savings target.

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The solution

Four interlocking interventions

lateralworks restructured the IR program around four reinforcing interventions. Each addressed a distinct failure mode; together, they converted a stalled initiative into a disciplined execution engine.

Schwab's own account, documented in the independent Research Board study [2, 3], confirms the selection rationale. Schwab had used IBM, HP, and Sun for strategy and planning, then requested proposals from IBM, HP, and lateralworks for professional services to take the program from strategy into implementation and deployment. Schwab selected lateralworks. The program objectives, as Schwab stated them, went beyond cost reduction to include platform simplification, adoption of commodity-priced components, and a standard stack approach.

1. Strategy-to-execution alignment

lateralworks ran a series of workshops with Schwab executives to establish a common vision, measurable goals, strategies to reach those goals, and tactics to execute the projects. The vision — to become a service-oriented technology provider, the ISCo model — had existed in fragments but had never been translated into a unified framework that connected strategic intent to project-level action. Alignment was the prerequisite. Without it, 400 projects would keep battling for resources with no shared direction.

2. Program structuring

lateralworks worked with the newly formed core team to build a macro plan organized around six milestones — the high-level deliverables already committed to internal customers and Schwab's management chain. For each milestone, the team defined explicit doneness criteria that scoped the work and identified the activities required for completion. Building the macro plan was like assembling the edges of a jigsaw first: it set the framework for the detail.

The structure changed team dynamics. Instead of debating technical minutiae or fixating on each other's weaknesses, the team focused on the schedule data and found common ground. The scoping process built the collaborative behaviors the team would need under execution pressure.

3. Portfolio prioritization and sequencing

Schwab's team later identified this as the single most important driver of program success. lateralworks built a decision model that evaluated all 1,100+ servers across four criteria: greatest savings potential, readiness to change, time to migrate, and importance to the business. The model extracted financial data from every server and ranked them by savings impact and cost to migrate.

The analysis revealed a Pareto pattern. About 70% of total savings were concentrated in three business groups. Roughly 75% of those savings came from a small subset of servers within those groups. The execution strategy followed: rather than pursuing 400 projects at once, the team now had a clear sequence — which servers, in which business groups, to target first for maximum early savings.

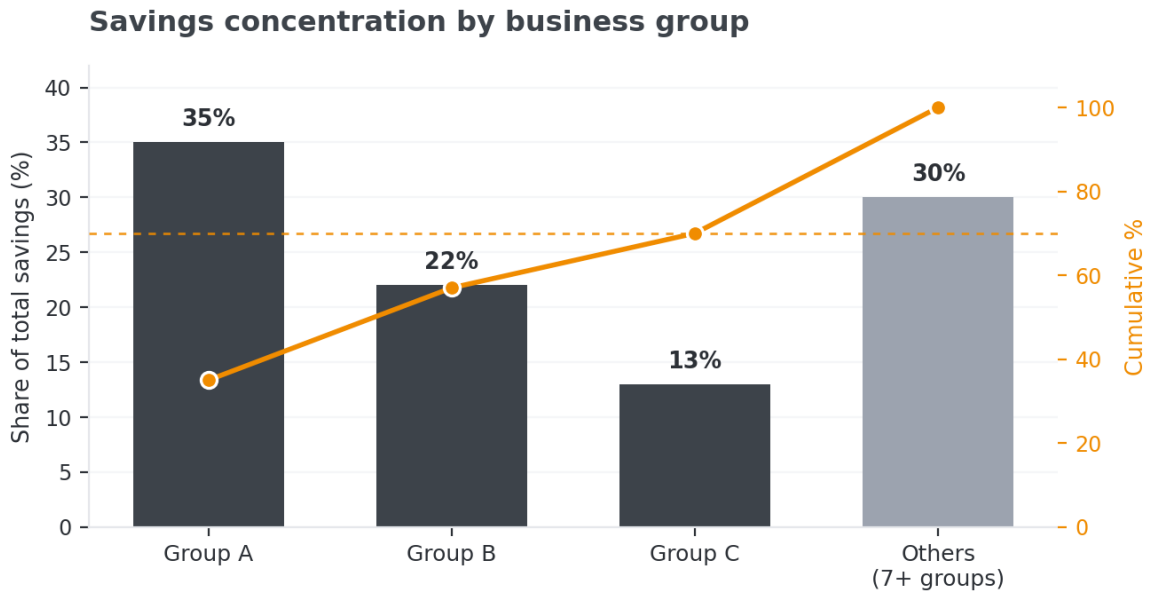

Figure 1. About 70% of total savings sat in three business groups (cumulative line crosses the 70% threshold by Group C). The decision model surfaced this concentration and let the team sequence migrations to front-load the highest-value work.

4. Dynamic financial tracking

lateralworks built a cost model that let the team analyze financial data by business group, application, tier, or any combination, and track actuals against forecast as migrations completed. The model plotted actual and projected savings over time alongside targets, with options to view data quarterly or cumulatively and to toggle baseline comparisons.

The cost model was a decision-making instrument, not a reporting tool. Each week it answered the program's central question: were we on track, or did we need to accelerate or add projects to hit the savings target? The trending data became the program's health indicator and the vehicle for executive reporting.

Operating principle

Schedule data over politics

Let the schedule data drive decisions.
Not politics, not seniority, not whoever shouts loudest in a 20-person meeting.

lateralworks operating principle

Charles Schwab IR program, 2003 – 2005

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Operating model

How the program ran day to day

A structure only matters if it changes behavior. The IR operating model changed behavior in three ways.

The model connected executive governance through alignment workshops to three reinforcing disciplines, then channeled everything into a single execution engine that tracked actuals against forecast every week.

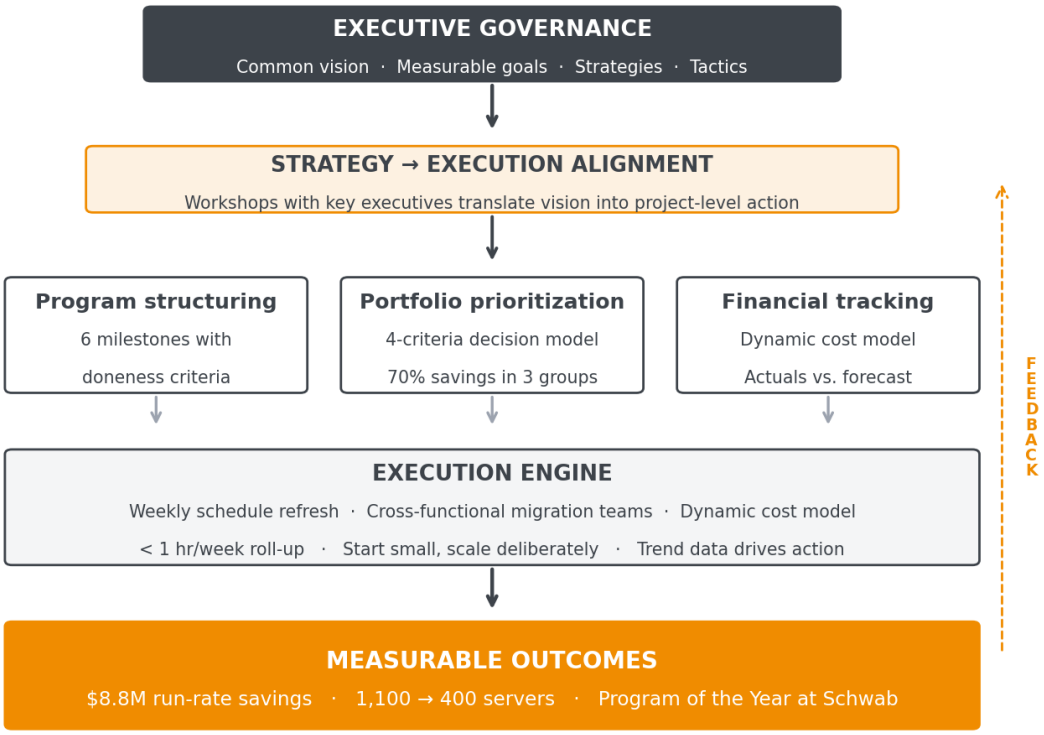

Figure 2. The lateralworks operating model connected strategy alignment through prioritized execution to measurable outcomes.

Execution mechanics

Weekly schedule refresh with fast roll-ups. The program was too large for a single schedule, so each project maintained its own detailed schedule, refreshed weekly with the cross-functional migration teams. At the end of each week, the lowest-level activities rolled up into the macro plan. The whole process took under an hour per week and gave the program a continuously accurate view of every server and application migration without consuming the team's bandwidth.

Start small, scale deliberately. Because the program touched every part of Schwab's organization, including systems supporting hundreds of millions of dollars in private and institutional trading, the team started with high-savings, low-disruption migrations. That sequencing built confidence and proved the model before the team tackled the most sensitive systems.

Gradual team expansion with cross-checking. lateralworks expanded the team incrementally, scrubbing and refining the schedule with each new set of eyes. Every planning event was cross-checked against the vision/goal/strategy/tactic/project framework set during the alignment phase. Buy-in deepened with each iteration, and every team member came to understand the full magnitude of the program.

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Outcomes

Results and impact

The IR program delivered on every dimension that mattered to Schwab: cost reduction, migration velocity, operational simplification, and organizational capability.

Financial performance

The team realized $8.8 million in annual run-rate savings within 18 months, attributed directly to the simplified management of the integrated Lintel stack and the reduction in vendors and products [3]. Savings targets were beaten ahead of schedule. The engagement accelerated $15–25 million in annual savings in roughly half the time originally projected.

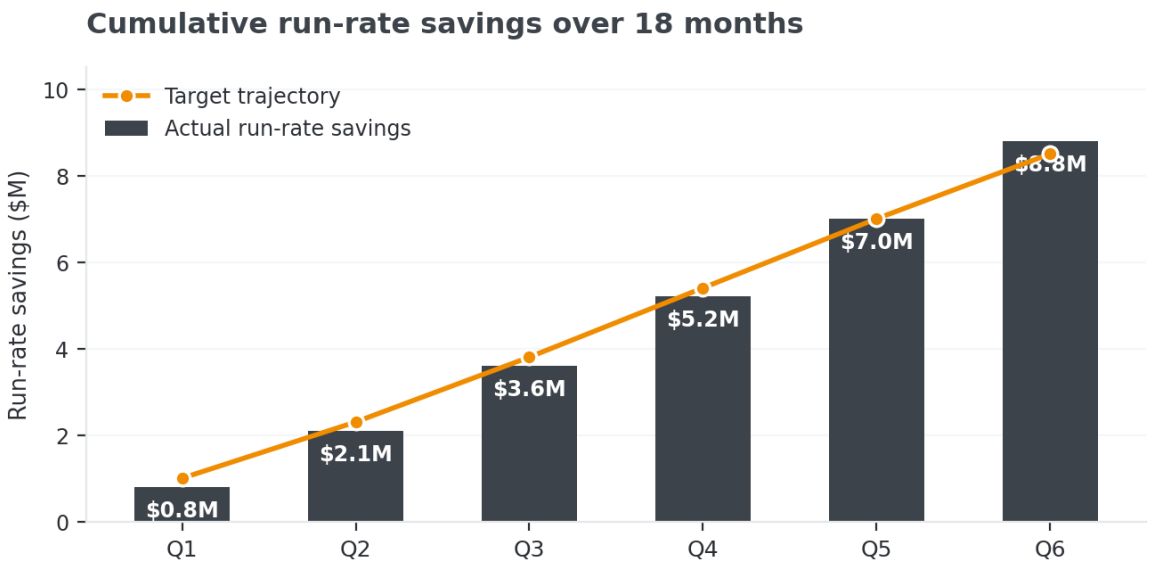

Figure 3. Run-rate savings trajectory over the first 18 months of execution.

Migration velocity and fleet consolidation

Within 18 months, 60% of the server fleet had been migrated, with only 8% of in-scope servers not yet scheduled. At program completion, the fleet was consolidated from 1,100 to roughly 400 servers, a 64% reduction. The standardized Lintel stack reduced complexity and lowered the cost of every future deployment.

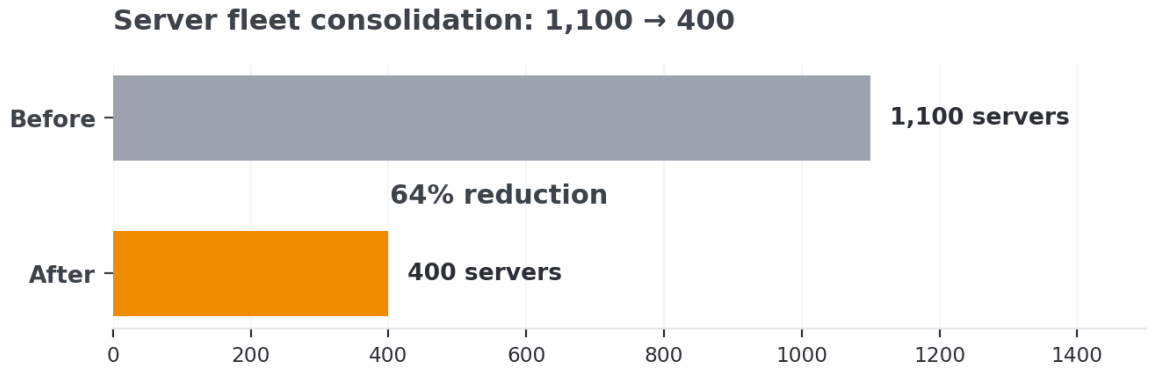

Figure 4. Server fleet before and after the IR program.

Recognition

The IR program won Schwab's internal Program of the Year award. Managing Director Robin McGlothin and Program Manager Jodi Speegle were publicly recognized by Charles Schwab himself for their work on the program.

Independent validation: the Research Board study

In the same year, The Research Board Inc. conducted an independent inquiry into consolidation and rationalization initiatives across its membership, triggered by American Airlines' preparation for a similar program [2]. The study drew responses from 22 major enterprises, including Allianz, Bank of America, Bosch, Colgate-Palmolive, Commerzbank, Delphi, Dow, Discover, DuPont, ExxonMobil, Lockheed Martin, Novartis, Northrop Grumman, Pitney Bowes, Shell, Southern California Edison, and Wells Fargo. Schwab's response provided a detailed account of the IR program and lateralworks' role in it.

In the executive summary of that report, The Research Board described Schwab's program alongside peer initiatives from some of the world's largest companies and identified lateralworks as the key vendor in the services portion of the initiative [3].

Schwab's response to the inquiry described what lateralworks delivered in precise terms. On scope and method, Schwab wrote that lateralworks was selected over IBM and HP for professional services assistance at the launch of the implementation phase. On differentiation, Schwab stated that lateralworks' approach focused on prioritizing the work effort, delivering fast time-to-implementation, and putting in place a repeatable process for deployment, rather than relying on a tool or methodology related to rationalization.

On results, Schwab reported direct benefits of $8.8 million in run-rate savings, management of an integrated standard stack for future Lintel deployments, and environment simplification through reduction in vendors and products. Schwab also cited indirect benefits: improved deployment quality, elimination of redundant products and services, and reduced licensing costs.

The Research Board's summary placed Schwab's results in context. Among 22 respondents covering very different industries and rationalization approaches (Bosch's SAP consolidation, ExxonMobil's 13 global service lines, Northrop Grumman's data center reduction from 122 to 9), Schwab's program stood out for execution velocity and the clarity of its savings attribution.

> **From the Schwab response to The Research Board (verbatim):** "Schwab selected LateralWorks for professional services assistance at the launch of the program. LateralWorks' focus was not on a tool or methodology related to rationalization, but rather on an approach to prioritizing the work effort, focused fast time to implementation deliverables and implementing a repeatable process for the implementation/deployment effort." [2]

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Failure modes

Why this succeeded where others fail

Large-scale IT rationalization programs fail for reasons that have little to do with technology. They fail because the work is not prioritized, the financial linkage between projects and targets is invisible, and the governance model cannot distinguish between activity and progress. The Schwab IR program succeeded because lateralworks attacked each of these failure modes directly.

Unstructured program	lateralworks-structured program
All projects treated as equal priority; resources spread thin	Decision model ranks by savings impact, readiness, time, and business criticality
No linkage between project completion and savings targets	Dynamic cost model tracks actual vs. forecast savings in real time
20+ person meetings; unclear ownership of deliverables	Small core team with clear ownership; graduated team expansion
No integrated plan; activity mistaken for progress	Macro plan with six milestones, doneness criteria, and weekly refresh
Technical debates consume planning time	Schedule data drives decisions; team focuses on the plan, not on each other
Status reporting takes days; picture always stale	Roll-up process takes under an hour per week; picture always current

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The pattern

Reusable principles for any program

The Schwab IR program demonstrates principles that apply to any large-scale cost-reduction, migration, or infrastructure transformation, whether server rationalization, cloud migration, application modernization, or technical debt reduction.

Prioritize by impact, not by ease. The decision model that ranked servers by savings potential, readiness, migration time, and business criticality was the single most important intervention. It replaced equal-priority chaos with a data-driven sequence that front-loaded the highest-value work.

Build the framework before the detail. The macro plan (six milestones with doneness criteria) gave the team a shared structure before they drilled into project-level detail. Like assembling the edges of a jigsaw first, it set the context that made the detail meaningful.

Make savings visible and trackable. A time-to-savings program lives or dies by its ability to show whether individual projects are advancing the aggregate target. The dynamic cost model gave the team and leadership continuous visibility into the gap between where they were and where they needed to be.

Start small, scale fast. Beginning with high-savings, low-disruption migrations, the team built momentum, showed value to leadership, and refined the execution process before taking on the riskiest customer-facing systems.

Separate signal from noise in team meetings. Shrinking meetings from 20+ people to a focused core team with clear ownership eliminated the coordination overhead that was consuming the program's bandwidth. The schedule became the shared artifact that replaced interpersonal debate.

Build repeatable capability, not one-time heroics. The decision model, tracking tools, and execution cadence developed for IR were reused across Schwab's division. A good program builds the organization's capability to run the next program, not just the current one.

Schwab's own retrospective, documented in the Research Board study [2], reinforces these principles. Asked what they would change, the Schwab team wrote that they would schedule periodic checkpoints to review baseline assumptions and technology decisions during implementation, because the business is not static, and once execution begins it is easy to become internally focused without noticing how the environment is shifting. The discipline of execution must coexist with strategic awareness, not replace it.

The pattern. When the mandate is time-to-savings, treat the portfolio like a product backlog. Prioritize by impact. Build an integrated plan with clear milestones. Track actuals against targets with financial precision. Start with high-ROI migrations. Expand the team gradually. Let the schedule data drive decisions, not politics, not seniority, not whoever shouts loudest in a 20-person meeting.

Sources

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Program narrative based on lateralworks account. Public product and financial details cited where available.