

high performance operations

Meeting the challenges of operational change - An insurance industry reality

As the flood waters of recession subside, the insurance industry, like many others, has to learn to live with a new reality. Faced with pressures from competition, regulation and the economy, existing approaches to changing operations are no longer sufficient. The results are too insignificant and take too long to deliver, while the risk of failure is too high.

It is now more important than ever for insurers to maximise the benefits of the inevitable changes they need to make in order to be genuinely competitive in the future and to realise the full return on their investment.

But it is also too easy for consultants to tell insurers what they need to change and why. We firmly believe most management teams already know the 'what' and the 'why' only too well. The struggle is to get practical and experienced help with the 'how'. The industry knows that throwing money at IT won't fix operational inefficiencies, drive out costs, improve customer service or comply with regulation. The era of IT centric change is over. What is needed now is change that considers all the elements of an insurer's operations with the aim of delivering a clear, common and agreed outcome for the business.

Comprehensive, measurable and lasting benefits are achieved by integrating people, process and technology change. Atos turns strategy reviews and vision statements into practical and realistic results for stakeholders across the business.



Meeting the challenges of operational change

The challenge

The environment within which insurers compete today raises a number of important questions that a Chief Operating Officer should consider before embarking on any change programme:

- ▶ Are my business operations flexible enough to respond to market dynamics?
- ▶ Are they sufficiently well aligned with the market segmentation of my business to service them at optimum cost?
- ▶ Does my team have the right skills, knowledge and ability to service my clients and change the way we operate, all at the same time?
- ▶ Does my IT have the capability and flexibility to support my operations at a cost I can afford?
- ▶ Is my management information giving me what I need to run my operations efficiently?
- ▶ Can I service a client across all the products I sell and all the channels I use? How much does it cost to service a client in each channel?
- ▶ Do I have my responsibilities to clients and regulators under control, and in the most efficient way? Where's the unmanaged risk?

Our solution

To address these questions Atos starts by creating a blueprint or 'target operating model' (TOM) that focuses on all the levers of change within a business, their relative importance and the links between them.

There are seven primary levers available to any insurance business:

- ▶ Customers, segmentation and products
- ▶ Organisational structure
- ▶ Processes and key performance measures
- ▶ People, skills, culture and ways of working
- ▶ Suppliers and partnerships
- ▶ Physical infrastructure
- ▶ IT systems, services and providers

Delivering change successfully

Change can create challenge, however with clarity, foresight and vision it also creates opportunity.

Our approach on delivering efficient and sustainable operational change is built on six rules of thumb:

1. Recognise all the levers of change, as outlined in the diagram, and the relationship between them. Isolated change to a technology or process without the people element are more likely to fail
2. Spend time planning ahead
3. Gain buy-in into the plan from all stakeholders across the organisation. Ultimately it is the business operational management team that will be responsible for harvesting the benefit post-transformation so they need to be engaged from the start. To achieve the best and most efficient buy-in we form a joint working team to get the most value from the resources, manage any conflicting work demands ('change' versus 'run' needs) and positively engage affected staff
4. Be clear on the benefits to be realised and the 'roadmap' in realising them. There must also be a focus on near term benefits so as to build confidence that the investment being made is delivering the intended return
5. Quantify and measure the benefits. We believe in hard measures, for example reduced IT cost and improved productivity, not soft in order to drive radical improvements across your business
6. Finally, don't be timid and be a realist.

The benefits

Our approach allows you to address change issues in a positive way. You will be able to:

- ▶ **Make a compelling case for change that actually delivers your business strategy**
- ▶ **Adapt your operating model and the suitability of your IT architecture to achieve the right results**
- ▶ **Assess the scope, cost, implementation timescales and likely impact of the changes needed**
- ▶ **Bring on board stakeholders from each operational area that needs transforming**
- ▶ **Assess and model the risks associated with a change programme**
- ▶ **Consistently track (and broadcast to the organisation) delivery benefits**
- ▶ **Prioritise action areas to deliver quick wins (that nevertheless support your overall strategy) and thereby confirm you're on the right track.**

The TOM methodology 'pulls through' targeted improvements in each stream of a business where they are needed, in response to the overall objective.



Case study

One of our client's in the insurance sector wanted to grow EBIT by five points over an 18-month period. Having rapidly grown by acquisition, they needed to:

- ▶ Implement a standard technology platform to improve operational efficiency and increase management control
- ▶ Improve the alignment of clients, propositions and services through increased client segmentation
- ▶ Create a clearer organisation aligned to clients' needs
- ▶ Clarify and improve career development paths and reward mechanisms
- ▶ Address significant variations in business processes and break down the silos that had taken hold in individual business units.

Atos was engaged to turn their vision for change into a clear set of pragmatic plans and a business case with the clarity and precision to ensure board support.

The benefits case was confirmed and an implementation plan developed. The operating model was then rolled out using the selected software, in a structured and standardised manner that delivered business-wide improvements.

Our solution

Our approach was to put together a team of consultants individually selected for their skills and experience, with the capability to take the client's vision of the future forward in the most practical way and in every area of the business that needed to change. Working in a genuinely synergistic and collaborative way with our client's own management team, we built a business case that was clear, measurable and precise. Everyone involved could see and understand what was needed for pragmatic and proportionate change. Each team member brought complementary skills to the table so there was no duplication of effort and the process was fast and efficient.

We mapped the as-is state across all client segments, to create a detailed picture of the systems, processes, roles and procedures that comprised the operating model. Lean tools and techniques were deployed to help quantify opportunities, identify waste (any process or procedure that doesn't demonstrably contribute to the value stream) build consensus and put hard measures in place that would stay in place.

From this, we were able to initiate a rapid IT package selection process of just nine weeks. Rather than taking the usual invitation-to-tender approach, we ran a series of conference room pilots with shortlisted vendors. This enabled the business to quickly understand which of the software products best fitted their requirements and how automation would improve their business processes.

One of the key principles was that the software package was to have as few changes made to it as possible. The challenge was to change the business not the software. This selection process was therefore critical to the feasibility of the planned change and to the realisation of the overall benefits case.

We designed to-be processes for each business unit based on automation, measurable improvements and increased off-shoring. Our model united the business units, was validated against the proposed system and offered new options for client servicing. In practice, the process moved through mapped as-is state to mapped ideal state, followed by automate, validate, to-be. Lean processes delivered immediate improvements along the way.

The new organisational design was supported by mapping the skills required for each process and creating appropriate job families.

The benefits case was confirmed and an implementation plan developed. The operating model was then rolled out using the selected software, in a structured and standardised manner that delivered business-wide improvements.

The benefits

The operating model delivered a clear vision of how the business would achieve cost targets. The business case confirmed that payback could be achieved in three years, and that a five per-cent improvement in EBIT could be achieved in the agreed timescale.

Immediate improvements were delivered early-on to build confidence, demonstrate real benefits and drive momentum. Throughout implementation, revised processes, the technology platform and a new organisational structure were rolled out with no impact on business-as-usual. The result was that the client had a operating model that matches its vision, is practically embedded in the organisation, with the skills, processes and IT needed to measure results.

The change was funded by identifying significant efficiency improvements and off-shoring opportunities. These became benefit enablers, providing the finance and confidence necessary to see the programme through. The early work on operating model was the basis for getting the change approved by the global leadership with maximum buy-in and minimum risk.

"We are fundamentally changing the way we do business to deliver superior services to our clients and create a culture of success for our people. Atos has been instrumental in delivering the scale of change we need to ensure long-term success."

Chris Lee-Smith, Change and Strategy Director,
Willis UK & Ireland

About Atos

Atos is an international information technology services company with annual revenues of EUR 8.7 billion and 78,500 employees in 42 countries. Serving a global client base, it delivers hi-tech transactional services, consulting, systems integration and managed services.

Atos is focused on business technology that powers progress and helps organisations to create their firm of the future. It is the Worldwide Information Technology Partner for the Olympic Games and is quoted on the Paris Eurolist Market. Atos operates under the brands Atos, Atos Consulting, Atos Worldline and Atos WorldGrid.

For more information, visit: atos.net