

Professionalising Change in Insurance

Why the unprecedented scale and pace of change in insurance demands a professional change capability and greater organisation-wide agility



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Unprecedented Change across the Insurance Landscape

With interest rates remaining low, insurers are looking at new ways to drive premium growth and sustainably reduce costs in order to improve profitability. Greater leaps are being taken to embrace digital, retain customers, create new products and services, and partner with other industries. This is resulting in unprecedented levels of change.

Operational excellence programmes are being enacted on a huge scale with automation, workflow, robotics and artificial intelligence being at the heart of fundamental changes across the entire insurance operating model.

Almost all insurers are now grappling with digital, and what it means to the way they serve customers and run their businesses. Digital resets the 'clock speed' for change, requiring greater pace and agility within the business and in technology delivery.

While some changes are affecting all carriers, others are more sector-specific.

General insurers have faced commoditisation and the rise of the insurance aggregator. In response they are accelerating product and service innovation to create differentiation (e.g. telematics, connected home, wearables, individual customer experience etc.).

Market consolidation is expected in the life, pensions & investments sector, with the remaining competitors needing to throw off the shackles of legacy systems, address their distribution challenges and handle waves of regulatory change.

London Markets faces an unprecedented combination of market forces – forces that are reshaping the global industry and, if not answered decisively, could lead to the market's irreversible decline. A recent study by London Matters highlighted London's weakening in emerging markets, its reduced share of the global reinsurance markets and rising expense ratios (to name but a few challenges).

Across all sectors, it is not hard to see why change is so pervasive. It has become one of the biggest challenges facing insurers, and dealing effectively with it has become an essential competence.

Why Now?

Insurers have always faced change. It can be argued however that the response to mandatory change has (rightly) taken precedent over other change, but has resulted in the industry losing touch with fast-changing consumer needs.

For years, many have successfully delivered smaller projects and technology changes. However, the track record with transformational change, which is required now, has been decidedly mixed.

A way forward

Three issues have converged, leading many insurers to start to invest in professionalising change and building organisation-wide change agility.

Firstly

There is more transformational change than ever before. This sort of change alters the fabric of the business – changing the culture, the business model, supply and distribution models, and how the insurer serves its customers. Transformational change is inherently multi-disciplinary and complex, so demands new ways of being managed. New operating models that result from transformation are highly disruptive and complex to implement. This is particularly important to UK insurers as they consolidate their business model in mature markets, while taking strategic decisions on market entry and business models for high growth markets in Asia and beyond.

Secondly

As strategic cycles have shortened, timescales for transformation have been compressed dramatically. These large scale, complex programmes are no longer allowed to run for many years without delivering tangible business benefits. There is a shift to more agile delivery, often with in-year paybacks to free up investment in further change and meet cost reduction targets.

Finally

This is the twist – the available funding and resources for change are constrained, leaving many insurers with a considerable gap in change skills and capabilities. So insurers are trying to do more with less. With a large change agenda ahead of them, the risks are high.

Business Case

What is the case for professionalising change?

There are three key value areas:

1. Change outcomes

- Does the insurer maximise return on investment (RoI) and strategic outcomes from discretionary change investments?
- Do mandatory programmes achieve sustainable compliance outcomes by the regulatory deadline? Is disruption minimised?
- What is the opportunity cost and negative impact of failed or miscalculated change?

2. Change effectiveness

- Do programmes consistently achieve the change goals on time and on budget?
- Does change 'stick' in the organisation after implementation?
- Is the risk profile of the change portfolio understood and managed?

3. Change efficiency

- What would the impact be of improving change delivery productivity by 30-50 percent?
- What proportion of change is provided by offshore teams or via industrialised capabilities?
- Can the change team flex capacity and cost around fluctuating demand?

Accelerating and optimising benefits from just a few programmes creates a strong case for investing in change capability.

Prioritising the Change Capabilities You Need

Many change teams have evolved over time out of large programmes. Others are fragmented in siloes across the business. However, given the pressures highlighted earlier, many insurers are now taking a more strategic look at what they need within their specialist change team and across the wider organisation. This is similar to the professionalisation and industrialisation of IT that swept through financial services previously.

So what change capability do you need?

Start with the change portfolio – asking 'what are the change priorities that our business must execute over the next 3-5 years?' This allows clear prioritisation of demand and, therefore, of the capacity and capability required to address this demand. In particular, it informs decisions regarding how leadership of change needs to be ingrained in the insurer, and the number of change professionals needed, the specialist skills they require, and the best location for them.

A professional change capability goes way beyond project management to address a wider range of disciplines such as including change leadership, portfolio management, programme management, programme management office (PMO), business analysis, business testing, implementation management and change management. These capabilities may also be specialised around certain

types of change (e.g. corporate transactions, regulatory change, digital) and business areas (e.g. general insurance vs life and pensions). Because the average insurance change team is smaller than those in other financial services organisations, it is important that the insurer is selective about the capabilities to build and mindful of the need to keep them adaptable to the requirements of the programme.

One capability we expect all insurers to develop is for the delivery of digital change. For many insurers this is about building a two-speed change model that adopts a 'fully agile' approach to product and channel innovation, while still being able to deliver larger programmes of structural, regulatory or core systems change.

All these capabilities should be underpinned with the right foundation – tools, methods and governance – to improve their impact. These provide a common language for change, helping teams get started and improving transparency. They also give each programme a head start, accelerating and de-risking delivery.

The most important foundation is the people in the change team – it is essential to attract the best change talent, develop and engage your change people, and deploy them effectively across the change portfolio and programmes.

Building Professional Change Capabilities

So how do you build a professional and organisation-wide change capability?

This is a challenging journey that takes time. It is often compared to changing the wheels on a moving car – change programmes do not stop while you are improving your change capability, and particular care has to be taken when intervening in in-flight programmes. Our preferred approach to developing a change capability focuses on the practical application of new capabilities, methods and tools inside pilot programmes as part of a 'do-learn-do' cycle.

Once the change portfolio and target capabilities are understood, there are some key operating model decisions on how to structure the capability. In particular, some insurers are starting to look at developing it through blends of onshore and offshore capabilities, balancing the load between experienced in-house personnel and the flexible capacity of external partners. Other financial services firms have made much greater progress on this journey than most insurers, generating considerable value along the way.

Case Example 1: Developing a global change capability

This global financial services organisation had amalgamated a number of project management teams across different countries, with mixed capabilities and inconsistent working practices. Together with the leadership team we ran an in-depth diagnostic and target-state development to understand current and future capabilities. A transformation programme was kick-started across the global change team through a 'ways of working' intervention. Alongside existing business analysis and project management capabilities, new capabilities were introduced for portfolio management, enterprise PMO, internal consulting and offshore delivery. We developed and implemented six methods, tailored to the firm's environment, which provided a common language for the change. Crucially, the organisation placed people at the heart of capability development, investing in professional development, change careers and a new change academy. We applied a range

of assets to help accelerate every stage of the journey (e.g. Accenture Delivery Methods, Change Diagnostic, Change Academy etc.). The key outcomes for the client were: (a) a single global change team, (b) the ability to handle more complex transformational change, and (c) lower-cost and lower-risk execution.

Developing Organisation-Wide Change Leadership

Just having a great team of change professionals is never enough. Insurers must ready the entire organisation for faster paced and more intense change – building up organisation agility and change leadership at all levels of the business.

Particular focus should be applied to helping executives prepare to be more effective change leaders. Effective sponsorship is a factor behind all successful programmes – the sponsor needs to set a clear vision, align the wider leadership team, clear the path for delivery, secure resources and create pull within the business. As the regime is introduced, there is an increased level of focus on executive accountability for programme delivery.

In the past, change leadership roles were a sideways career step or a secondary role; today they are among the most important roles in the organisation and need to be populated with the best leadership talent available. They are a proving ground for key talent, stretching people beyond their comfort zones.

In addition to the sponsor, it is essential that change has effective business-led governance. Fundamental to this is prioritising demand and supply across the portfolio, then overseeing delivery momentum, risk and benefits at both the portfolio and programme levels.

However, change leadership goes way beyond the programme sponsor and programme director. It is a vital competence of all business executives and comprises a much deeper set of behaviours, attitudes and skills. Exemplary change leaders raise the ambitions, horizons and beliefs of their business. They create a

constructive environment that can bring out the most innovative and creative thinking from their people. Their integrity and the trust they create with the team, create the commitment needed to drive difficult changes. They take ownership of big and challenging decisions.

Case Example 2: Change leadership and difficult decisions in a global insurance transformation

Accenture partnered with a leading commercial insurer to establish and scale a captive shared-services capability across claims, finance, operations and HR.

The insurer had to make bold decisions regarding the business case, location strategy, operating model and risk management. The set-up of effective programme governance galvanised the change leadership and made sure these decisions were made upfront.

We partnered with the client using Accenture's transition and change management methodologies to deliver a consistent, predictable, efficient and low-risk transition phase with effective knowledge transfer and operational cut-over. This also resulted in better handling of the workforce impact, in both the onshore and offshore populations.

With the back-office functions operating from a captive centre, the insurer now has the opportunity to further standardise processes, as well as drive improved agent productivity, ultimately to deliver a further round of significant expense reduction.



Harnessing Organisation-Wide Agility and Change Capabilities

Much transformational change demands widespread business participation, as it aims to change the culture and working practices of the insurer (e.g. conduct). This will be constrained or enabled by the change capability and readiness of the wider business management and employees.

This is particularly true within insurance, which until now has seen a slower pace of change than financial services sectors. Making change a core competence of the wider organisation is an imperative for insurers.

Our benchmarked evidence from ChangeTracking® is that there are three significant factors in change success: participation, trust in line management, and team environment. Embedding change activity as a small part of all managers' and employees' roles, and training them to handle change, can help make change the norm rather than the exception. This is a particular issue for insurers as they rebuild the employee value proposition and engage a decentralised multi-generation workforce. An oil and gas company trained more than 15,000 managers in change management, alongside strengthening its specialist change team, which has proven a very constructive step.

Case Example 3: Building change capability within a global insurance transformation

This global insurance broker had highly decentralised and inconsistent processes. Working with the client we assessed the opportunities to eliminate non-value-adding activities, streamline end-to-end processes and automate standard tasks. Lower-complexity and lower-client-value activities were moved offshore to reduce the cost base.

At the heart of this programme was a central 'people & transition' change team that worked side-by-side with the human resources leadership and programme management to effect a timely and collaborative decision making process which engaged key parts of the organisation and help embed the change.

To ensure smooth transition to this new operating model we helped our client build integrated change teams across its four business units. These teams utilised the Accenture Business Readiness and Change Transition methodologies to ensure smooth knowledge transfer to the new operating hubs.

The client, with guidance from Accenture, selected high performing individuals within the business to be the change leads within these teams. The Accenture team coached and led the client through the first two transition phases. Then, utilising the embedded learning from these phases, the client took the lead for the remaining transition phases.

This approach ensured that the client's own change capability was expanded throughout the programme, leaving the organisation with a team of capable change managers.

Collaborating With Strong Delivery Partners

Change teams often need to be the 'glue' that brings together different delivery partners to make change successful. These partners can include compliance, HR, communications, facilities, procurement, finance and, most critically, IT.

Most change is technology-enabled, and digital innovation is changing insurance by digitising processes, creating digital customer experiences, and changing the face of the industry through new entrants. IT and business change teams are separate but symbiotic capabilities. With good IT delivery, business change teams can create more innovative change and deliver great solutions that enable the desired change outcomes. With good business change support, IT can deliver great technology that is well integrated into the business and widely adopted by business and customer users.

The key is collaboration, at both the departmental and programme team levels. With the explosion in digital delivery, IT and business change, teams must collaborate even closer together using agile delivery. This involves tight multi-disciplinary teams working together on sprints. Each sprint delivers a change or part of the change which is self-contained and valuable for the business and customer. Sprint teams comprise business stakeholders, subject matter experts, and change and IT team members. Critically, agility demands much greater involvement from business stakeholders and the end customer/user, both in the sprint team and when techniques such as iterative prototyping and model office testing are employed.

In our experience, agile can accelerate delivery and bring greater innovation. It can be used in its purest form on smaller digital changes and adapted for larger programmes. Critically, agile does not mean abandoning programme disciplines or quality. In particular, it requires intense focus on implementation planning and release management.



Industrialising Change Capability

For many insurers, a key step in professionalisation is building scalable and repeatable 'industrial' change capabilities. Some major transformation programmes have sufficient scale to do this alone, such as multiple releases that need to be implemented thousands of times. Other organisations build enterprise-wide change services that span multiple programmes.

The change capabilities most frequently targeted for industrialisation are business analysis, PMO, business testing and implementation management. This can present a considerable opportunity for offshore delivery – often the change team can be 30-50 percent offshore, creating a significant cost arbitrage. However, the real benefit is using industrialised change capabilities to 'work smarter'.

Industrialisation has a number of key aspects:

Integration – e.g. "We can implement these three programmes within this market as a single joined-up deployment".

Standardisation – e.g. "We will implement within each area following the same 15 steps before, during and after each go-live".

Tooling – e.g. "We will regression-test for each release using a standard test pack and test automation".

Specialisation – e.g. "We will use business analysts specialised in Lean Six Sigma to manage process analysis".

Learning – e.g. "We know the pitfalls and success factors based on similar implementations".

The benefits of industrialised change capabilities are faster, lower-risk and lower-cost change delivery. The key to success is building up the maturity of an industrial capability over time, building the confidence of programme managers in this capability, and overcoming siloed delivery.

Case Example 4: Industrialising implementation at a global bank

The branch network of this global European-based bank faced a significant amount of post-merger integration, spanning customer, process, facilities and technology change. Accenture helped establish a scaled change network to manage the changes at site level, coach the branch staff, and handle live-day impacts on customers. A central team provided the 'command centre' to control progress, ensure transparency and facilitate rapid escalation from the implementations across 1,300 sites.

Tools to Enhance Change Productivity and Impact

Programme Management – Automated Reporting

We use proprietary assets to accelerate reporting and increase transparency:

- Tracking status
- Earned value
- Cost and schedule performance

Implementation Management – Mission Control Suite

Mission Control helps you increase the pace and certainty of implementation by tracking and reporting activity completion and issues to a site-level. It connects multiple change agents and field-based implementation teams with the central 'mission control'.

Change Management – Change Tracking®

ChangeTracking® helps you understand change reactions and prove insights on what to do next. Survey responses are benchmarked against more than 250 global transformation programmes to generate insights and provide early warning of resistance and slippage.

Sourcing Change Capability

Across financial services, the sourcing of change capabilities is a hot topic. There is a range of sourcing options, from project-by-project sourcing through to strategic change partnerships and full managed services arrangements. Given the range of programmes, these sourcing models often have to combine

both specialist change skills that have a high impact on the change outcome, with lower-cost commodity and offshore delivery.

Many financial services organisations are increasingly sourcing external change capabilities as a way to gain more rapid access to specialist expertise, create flexibility around fluctuating demand levels, and install a level of delivery focus that can be difficult to sustain in internal teams working alone. These partnership models are often a complement to internal change capabilities, working alongside and strengthening the organisation's own team.

In our experience, strategic change partnerships and managed services arrangements – in particular leveraging offshore delivery and productivity enhancing tools – lead to lower unit costs. They also tend to help spark a different style of change, bringing innovation and pace to the internal team. These organisations are targeting productivity gains of 30 – 50 percent by adopting partnership models.

Case Example 6: Change as a managed service at a regional bank

This regional bank faced a significant portfolio of regulatory, cost reduction and growth changes. Within its change capability it faced headcount constraints, capability gaps and a high-risk reliance on day-rate contractors. The bank recognised this challenge. It selected Accenture as the sole provider of external change resources and its partner to develop the capability of the retained change team. This arrangement has created greater delivery accountability, a more flexible cost base and a lower unit cost, while accelerating the path to enhanced methodology and tooling.

Case Example 7: Change outsource at a large regional bank and bancassurance provider

This client recognised it needed greater focus on its core banking and insurance capabilities, and less on supporting activities such as IT and change. It decided to outsource all programme and project delivery to Accenture – including programme management, analysis, development, testing, change and deployment – working in a blended onshore and offshore delivery model. This decision was based on a long-standing trust-based partnership and delivery track record across multiple programmes.



Next Steps

Historically, insurance has changed at a slower pace than other financial services sectors. Insurers have not regarded their change capabilities as a core competence, using them mainly to deliver incremental change and smaller projects. Faced with radical changes in digital, market presence, operating models, product innovation and customer experience, as well as ongoing regulatory change, this is no longer adequate. Change is now essential for the survival and growth of insurers. This involves acquiring organisation-wide agility and leveraging professional change capabilities, both developed internally and sourced externally from key partners.



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About Accenture

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