

Financial & strategic management



Achieving  
**WORLD-CLASS**  
**PERFORMANCE**  
IN THE **INSURANCE**  
**INDUSTRY**

## The author lists seven steps he says will lead to sustainable performance.

By James M. Kerr

**W**e have entered a new and exciting epoch in the insurance industry. All of the characteristics that defined success in the past do not guarantee success in the future. Convergence, consolidation and technology have simply changed the game for evermore.

It's important to consider for a moment the far-reaching implications of these trends, including:

- large may mean too slow to respond to market changes; low cost structures may not easily translate into all post-merger settings;
- established product sets can be replaced by non-industry entrants;
- domestic advantages may not be strong enough to withstand the global reach of other rivals;
- customers are seeking different products and services than they had in the past, and;
- the labor market is tighter than ever before.

### The game sure certainly changed!

With that said, the insurance companies that will dominate in the first half of the 21st century will be those that are nimble and quick, interconnected and diverse, committed to service delivery while location independent. The most successful ones will thrive in a state of continual transformation, ever changing to remain competitive.

### How Do We Respond

How does a company position itself to respond to the changes that the new era holds in store? Insurance companies must begin to introduce new, and extend existing programs, that focus on positioning the firms to be agile and swift, while still growing and evolving into broad-reaching and highly profitable enterprises.

While certainly a tall order, such

change is within reach. Consider a world-class athlete for a moment. When an athlete goes into a “slump” in their chosen sport, whether it's a baseball player who hasn't had a hit in his last 25 at bats, or a figure skater who can't seem to nail a triple toe jump, their coaches immediately help the athlete to focus on the fundamentals – reinforcing key aspects of athletics like speed, quickness, strength and endurance. Once fundamentally sound, the athlete can then concentrate on refining the finer skills that make them world-class.

The same is true in business. It's the adoption of a “Back-To-Basics” philosophy that is needed. Indeed, insurance companies must return to the basics in order to respond effectively to the challenges that today's competitive paradigm has in store. The question is how?

### Forging a New Tomorrow

Below is a seven step process that every insurance company can put into motion to ensure lasting success. Think of them as the Back-To-Basics for the industry. An insurance company that adopts this approach will be better able to respond and adjust to ever changing competitive demands than ones that do not.

The seven steps are as follows:

1. Establish Program-Centric Strategic Planning – the process of defining the work needed to achieve a firm's vision and business objectives by identifying the appropriate collection of projects and programs required to get there.
2. Build Resilient IT Architecture Designs – the process of building an IT plan comprised of initiatives that provide a means to easily build, extend and redeploy information technology seamlessly across an enterprise.
3. Create a Results-Focused Communications Environment – the process of establishing the necessary communications infrastructure, complete with the standards, tools and practices required to ensure that appropriate communication occurs within, and across, an organization and its stakeholders.

4. Adopt Portfolio-Based Project Management Planning – the process of creating a project-oriented management culture that manages a firm's strategic initiatives as a portfolio, much like a mutual fund manager manages a portfolio of stocks.
5. Embrace Uninterrupted Business Redesign – the process of constructing a work environment that can accommodate a state of continual transformation and renewal brought about through continual business re-engineering.
6. Assemble Cross-Cultural Workforce Inclusion Programs – the process needed to introduce a corporate culture that celebrates the individual differences that comprise an organization's workforce and can leverage these differences to competitive gain.
7. Embark Upon Continuous Employee Improvement – the process of instituting appropriate training and measurement procedures that enable staff to modify behaviors and deliver the results needed to keep their enterprises vital and flourishing.

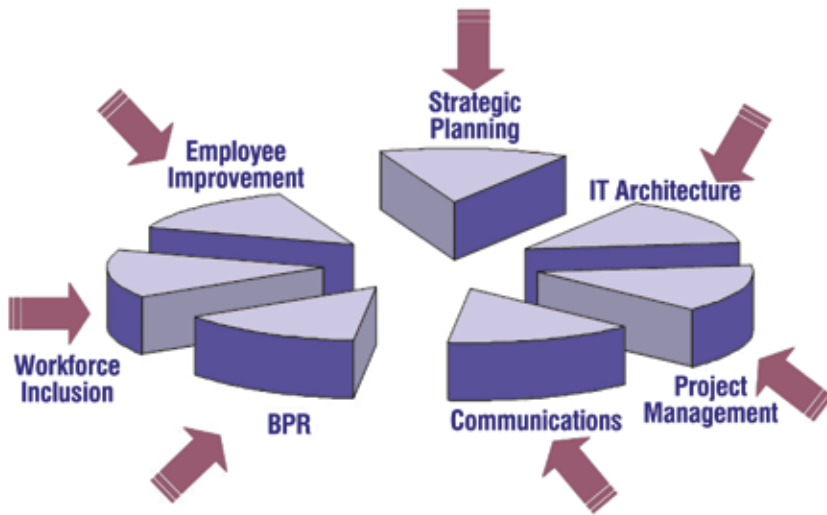
Here's how these seven steps fit into the essential fundamentals that lead to ongoing success within the new epoch.

### How They Fit Together

As Figure 1 suggests, these seven programs form an interdependent set of activities that, when put into action, leads to improvements in virtually every aspect of an enterprise.

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**JAMES M. KERR**  
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**Figure 1.** Taking the steps to fit all the pieces together

For example, let's assume that the Program-Centric Strategic Planning effort leads to defining, among other things, the initiatives needed to redefine and automate service offerings. A Resilient IT Architecture Design will need to accommodate the systems requirements that fall out of the service offering initiative. In order to flourish, the redefined work processes will require the skills and principles underpinning Uninterrupted Business Redesign. For the Uninterrupted Business Redesign to work, Continuous Employee Improvement programs will need to be put into place to prepare staff to be successful within the new business model. Results-Focused Communications will be an essential element of staff preparedness. Because the staff is diverse, Cross-Cultural Workforce Inclusion efforts will kick-in, as well, to ensure no one is left behind. All of this work will be organized into projects. These projects will be managed using Portfolio-Based Project Management practices.

It is easy to understand, through this illustration, how the seven programs interplay. Now, let's examine how an insurance company can make it happen.

### Making It Happen

A new corporate program should be staffed and funded as a means to overseeing the execution of the seven steps outlined above. Typically, it requires three to six months of full-time work to institute such a program. Companies should view the program as an ongoing process, where each step continually evolves over time and adjust as dictated by a company's strategic direction.

With that said, a program champion and project team should be identified that will be responsible for overseeing the program and ensuring that all is done well. Typically, the program champion is a senior executive involved in direction-setting for the concern. He or she may even be the CEO or company president. However, other members of the executive staff can guide the project, as long as the designated champion is well respected by his / her peers.

The full-time project team is responsible for overseeing the work and ensuring that the seven steps comprising the program are properly executed. The basic responsibilities of the team include:

- Conducting monthly project coordination meetings with the program champion;
- Conducting quarterly executive steering committee meetings;
- Updating and publishing the program status reports;

**“Clearly, the work necessary to institutionalize these seven steps touches the entire organization.”**

- Communicating adjustments, issues and changes to the stakeholder community;
- Facilitating cross-project sharing of information/solutions;
- Identifying opportunities to consolidate and reapply work efforts, where possible, and;
- Assisting staff in the work step execution.

Needless to say, the project team must be staffed by competent and respected people. There is sometimes a tendency to place “castoff” employees on these teams. Doing this sends the organization down a slippery slope to failure. The management team must place individuals who know the business, know the industry, possess strong communication skills and are business savvy – all essential attributes for getting the job done.

Clearly, the work necessary to institutionalize these seven steps touches the entire organization – requiring active support and participation from across the board. Insurance companies that embrace these begin the process of transformation required for continued success within the industry. Nothing can come along that a firm that, has done these well, can't handle.

### To Sum

The seven steps outlined above are, indeed, basic. However, basic doesn't mean easy to accomplish. It will require hard work and commitment to weave these programs into the very fabric of an institution. Nevertheless, if an insurance company can ready itself to do these things excellently, then it will redefine the rules of competition. It will dominate the markets that it competes in. It will possess dexterity in response, deftness in flexibility and prowess at being there (wherever “there” is) before anyone else – and these newly redefined businesses will be able to do all of this, while offering incredible products and services to a discerning customer-base.

### About The Author:

*Mr. Kerr has worked in and around the insurance industry for over 20 years. He has held executive positions within AXA Financial and Mitsui Sumitomo and has provided consulting support to many other firms within the industry. His latest book *The Best Practices Enterprise* (J. Ross Publishing, 2006) focuses on the topics outlined here. Contact him at [jkerr@kerr-consulting-group.com](mailto:jkerr@kerr-consulting-group.com).* ■