

Sharing for growth – How shared services have come of age

Shared services – old news?

The rationale for shared services concepts as a way to create scale in multiple-country insurance operations is not new. Much more so than in other areas of financial services, large global insurers have for many years grappled with how to make use of their scale when operating decentralised businesses in multiple emerging markets. Whilst some have realised material cost advantage through shared services, for many the initiative has proved to be less exciting than might first have been hoped.

The approach thus far has been technology led in the main, focusing on core IT utilities such as data hosting and voice over Internet protocol (VoIP) (see Figure 1 on next page). The lack of impact on core business processes has led to benefits being one-off, and the cost advantage over domestic incumbents to stagnate as individual country operations grow. Furthermore, many have found that the true competitive battleground is not hardware costs or even back-office costs, but rather front-office costs – product innovation, the customer experience and distribution productivity – areas that are not remotely touched by the ‘utility approach’ to shared services.

Realising the ‘real’ benefits of shared services

But it doesn’t have to be that way. A shared services structure done properly can, and should, be a sustainable competitive differentiator, scaling with the business and supporting growth over time. It can yield a host of business benefits – including providing capacity flexibility or delivering a faster product development cycle, an improved customer experience and even improved distribution productivity. However, all this requires a business-oriented approach to shared services – a shift from traditional thinking. Shared services need to impact the ‘module’ layer, wherein lies some of the key customer- and distributor-facing functions. This sharing goes beyond just IT alone and reaches deep down into the organisation to support shared processes and shared people.


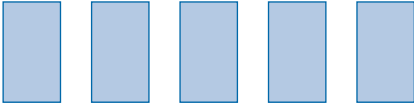

‘Module approach’ shared services deliver real business benefits by standardising, automating or centralising the core aspects of processes, whilst allowing flexibility in local application. For example, developing core product templates that can be tailored to local markets and

specific customer segments, automating and standardising underwriting to increase straight-through processing and increasing agent access to status information on new business application policies and claims.

One insurer saw the product development cycle shortened by more than 80%, new policy issuance time reduced from between 5 and 14 days to immediate issuance, and data-gathering time for life underwriting reduced from up to four days to almost immediately. Another insurer has developed new shared processes, such as a single customer view across all areas of the business, to enhance cross-selling and customer value management opportunities, which tangibly impact growth and transform the local management sceptics into champions of shared services.

In one region, a global insurer went the whole way, modularising, parameterising and sharing a raft of processes that were previously felt to be business-specific, by making use of a narrow but critical ‘skin’ of bespoke BU/geography/product-specific functionality. This organisation then

Figure 1: Characteristic layers of shared services

Layers		Purpose	Example
	'Skin'	Apply policy/support local requirements	<ul style="list-style-type: none"> ■ EU/CEE pension regulations ■ Claim adjuster network ■ Local taxation ■ Government/public retirement interface
	'Module'	Functionalise	<ul style="list-style-type: none"> ■ Customer application processing ■ Decision support analytics ■ Sales/origination workflow management ■ Online customer tracking/support
	'Utility'	Common to all	<ul style="list-style-type: none"> ■ Servers/data hosting ■ Prospect/applicant database ■ Operational customer database ■ Products database ■ Desktop ■ VoIP ■ Security

developed a ‘hub and spoke’ shared services platform across 11 countries with different products, languages and scripts. They achieved significant and tangible business benefits in terms of flexibility and agility, as well as massive and scalable cost savings: After 40% of the total premium volume had been migrated to the shared services platform, unit costs fell by 22%, not allowing for any wage differential for transferred roles. Even more significantly, the insurers saw a marked impact on revenue, as summarised in Figure 2.

Making a start

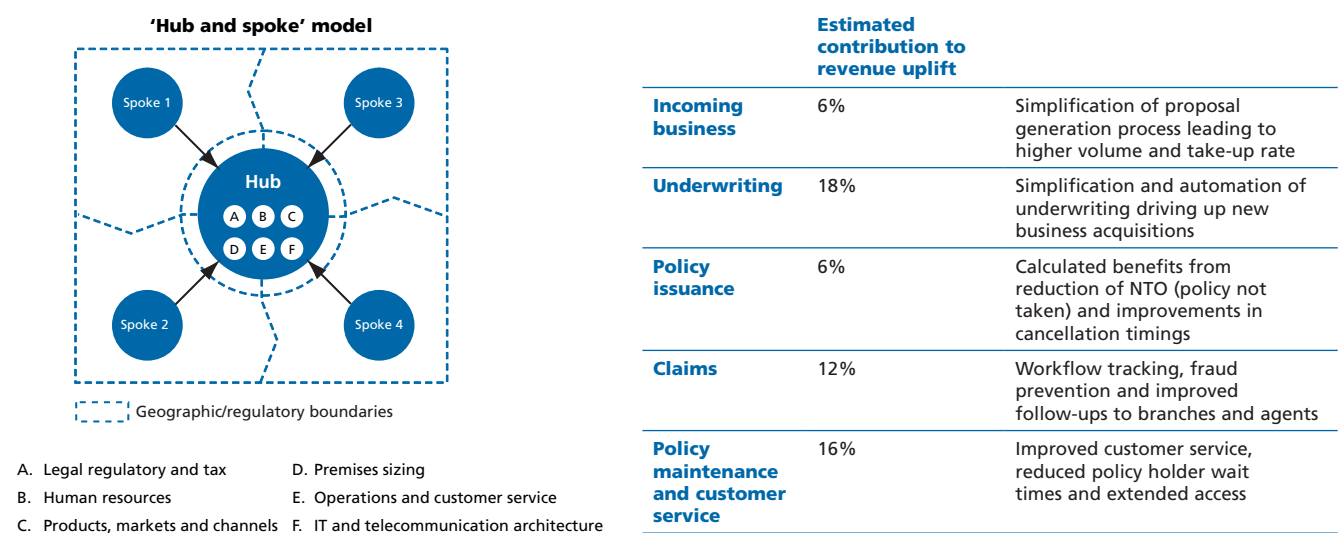
Delivering revenue benefits from shared services is a realistic and achievable goal. It is not an easy one. All of the examples we have cited took many months of effort with a clear-thinking and dedicated team. For us, however, the benefits are well worth the effort – the question is not ‘if’, but rather ‘how’.

Our review of the successful implementers showed up some differentiating features. From the start, each one had a project sponsor who carried

sufficient weight and who had a clear vision of the potential end-goal, even though the approach to achieving the goal was typically incremental. Each also had a robust process for driving aspects of sharing through design to implementation, along with clear performance metrics to measure progress against goals on a regular basis.

To ensure change happened and subsequently ‘stuck’, successful implementers also assured that the shared services provided a win/win for both local as well as regional management. For both groups, that meant minimising perceived risks to their business and sharing in the upside, not only in terms of cost reduction, but also in increased flexibility and responsiveness. One insurer achieved the win/win through a shared-ownership structure, whereby the shared services unit was effectively owned and controlled by the country units that participated, providing a strong incentive for all parties to make the shared services unit work.

Figure 2: Disguised client example

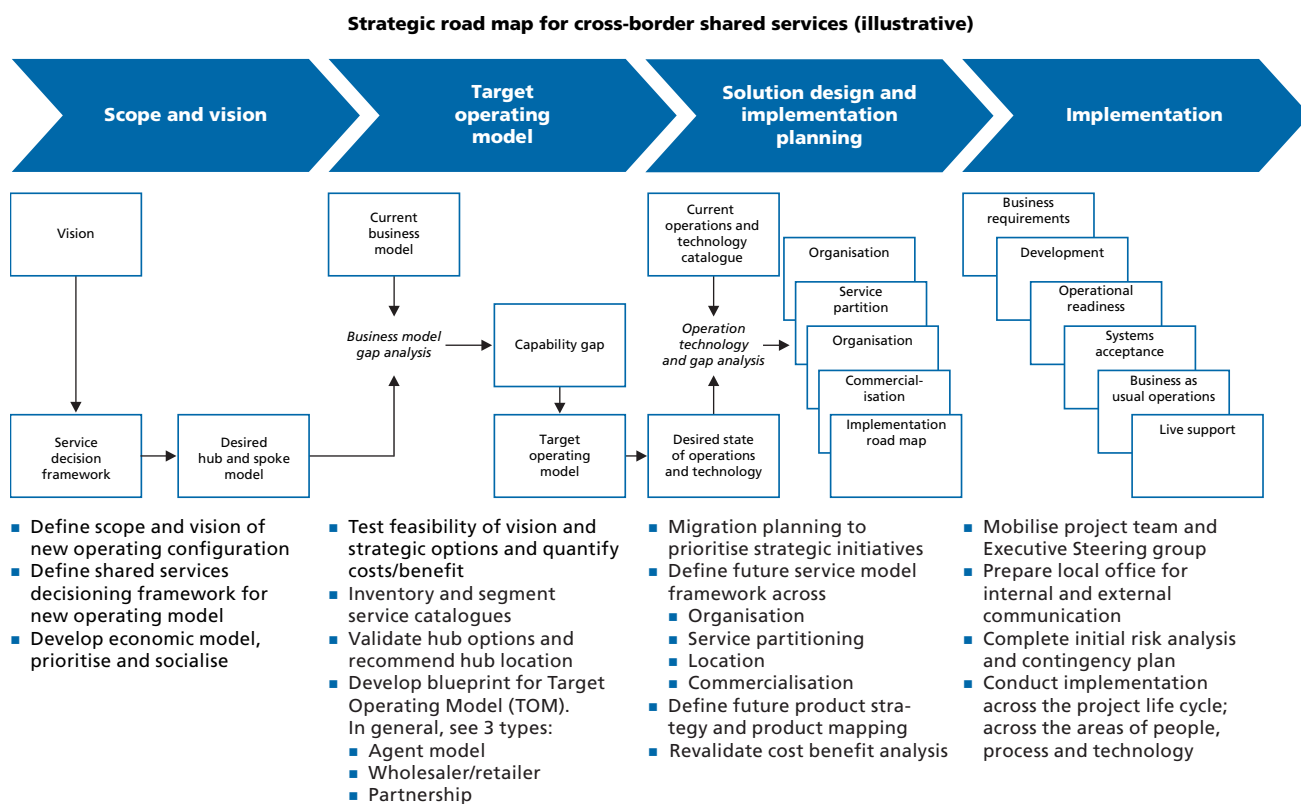


Of course, it is easier to describe differentiating features than to deliver them. With delivery in mind, therefore, we set out below our conclusions in a road map for implementing a best-practice, revenue-focused, shared services programme (see Figure 3).

If you can get it right, you can transform the way your business works – and in today’s increasingly tough market, you can build a competitive advantage that is real and sustainable across markets and over time.

Insurers who believe that shared services are easy to implement, most likely are not doing it right. Those who think it is purely about IT are certainly not doing it right. To be worthwhile, implementing shared services must be a significant effort for the whole business – and it is well worth the effort.

Figure 3: Shared services road map



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