



FIRST, DO THE OPPOSITE:

5 CONTRARIAN PRINCIPLES FOR INSURANCE INDUSTRY TRANSFORMATION INITIATIVES

BY RAM SUNDARAM

"We could literally build a space shuttle in less time than it's taking this IT transformation."

- Exasperated Insurance Industry Executive

As you may recall, Einstein famously defined human "insanity" as taking identical actions while expecting different results.

And yet time and again, we see the smartest, savviest insurance companies following the same defective IT transformation playbook, and then acting surprised to find themselves mired in an all-too-familiar, long-term corporate embarrassment.

Perhaps it's a transformation of your claims process that takes five times longer than expected. Or it could be a transformation of your underwriting processes and systems that—over the life of the project—unwittingly bankrupts an entire year's IT budget. Or just maybe, the very modernizations you're pursuing have taken so long to implement—you're afraid they'll be obsolete-on-arrival.

In any case, you've got the right idea, just the wrong formula. Isn't it time for some fresh, contrarian thinking?

Rest assured, I'm not speaking from the bleeding edge here. There's a word circled in deep red marker at the top of my office bulletin board—Conservative.

Risk management, after all, is our stock in trade. Our brains are hard-wired for sensible, sometimes overly cautious problem solving. And usually, it leads to a wiser course of action.

But in the realm of IT, sometimes the safer you play it, the riskier it gets.

Let me explain:

INSURANCE TRANSFORMERS: MORE THAN MEETS THE IT

Information technology and the insurance

industry are like a pair of opposing forces in the universe—one is defined by rapid adjustment and continuous iteration, the other by gradual, methodical change.

In fact, technology innovations come and go so swiftly and unpredictably, it's often difficult for insurance companies to invest with any confidence whatsoever. So for years, we held back—selling policies and processing risks the traditional way, with little external pressure to play the role of technology pioneer.

Then, over the past decade, our economics began to change, the market began to soften, and well-established companies found themselves hemorrhaging market share to more innovative competitors with lower costs.

Ironically, we learned that the very innovations we'd so cautiously avoided were driving huge reductions in operational expenditures. Technology, automation, and business process improvements were swiftly changing the game—creating new ways to strategically aggregate, analyze, and utilize intelligence more efficiently.

Meanwhile, trends in the consumer space were becoming so powerful and pervasive that customers began to view self-service insurance capabilities (e.g., buying policies online, checking claims on-the-go, etc.) as essential business features. The Internet Revolution spared none of us. And today, new revolutions in mobility and social computing are only widening the chasm.

Point being: wholly integrated, customer-driven IT is no longer a trend for insurers; it's a reality—the price of doing business for big and small companies alike. And not surprisingly, today's industry is awash in transformation.

But remember our watchword—Conservative.

When technological iterations are undertaken with such infrequency and reticence, the pressure

to get them right becomes enormous. Instead of portioning out risk among several, frequent updates, we bundle it all together in one huge, complex ordeal—made worse by attempting to progress through two, three, or sometimes four generations of technology in one fell swoop.

Not to mention that conservative insurance budgets won't accommodate do-overs or refinements. No, the technology has to be right—the first time—and it has to last.

Maybe that's why these projects tend to span multiple years, multiple generations, and sometimes multiple CIOs. Failure isn't an option, and there's no margin for error. So the projects stall and self-perpetuate, which (as you might expect) is disastrous for any business' bottom line.

How, then, can insurance companies make transformations more expedient, targeted, and financially viable?

Simple: by doing the opposite of what's been proven ineffective.

CONTRARIAN PRINCIPLE #1: LESS IS MORE

Transformation initiatives are born—and almost immediately, company leadership concludes: "This is a big project, so we'll need a big team."

An army of contributors is assembled, with little thought given to its structure or organization. Then, when the project stalls (as it inevitably will), leadership infers that—clearly—there wasn't a big enough team to begin with.

In reality, of course, the massive, unorganized "overwhelming force" approach just serves to weaken communication, create superfluous redundancies, and dampen accountability throughout the team.

Worst of all, the larger a workforce gets, the more unwieldy it becomes. Remember that momentum is a function of mass. So unless your transformation initiative unfolds flawlessly from start to finish (a pipe dream, to be sure), you're bound to encounter times in which you'll need to change directions swiftly and decisively.

In such times, your extraneous mass will be working firmly against you. Think, for a moment, of the ancient Battle of Thermopylae, or Nelson against the Spanish Armada.

Agility, not size, is the key to a precise, strategic operation; and with that agility, comes the capacity to efficiently redirect or redeploy various

pieces of your taskforce—which brings us to:

CONTRARIAN PRINCIPLE #2: GENERALIZE, DON'T SPECIALIZE

Try as some might, it's practically impossible to build complex IT solutions the way Detroit builds automobiles. Myopic assembly-line production simply doesn't suffice, and narrow specialization can be toxic to overall success.

Truly, for our purposes, the only thing worse than an army of contributors is an army of fine-grained specialists.

Rather, successful IT transformations require all team members to assume a broader grasp of the project's vision, and to understand—precisely—how each contribution affects the project as a whole.

What we must covet above all is versatility in our team—queens on the chessboard—professionals who are equally competent in business and technology, who can adapt and improvise like jazz musicians, and who can instantly respond to the complex demands of well-rounded, visionary leaders.

In fact, we recommend selecting both a business visionary and a technical visionary to jointly spearhead any major IT transformation. And it's essential that these leaders be highly versatile, themselves. (For example, prime candidates will have access to the C-suite and the authority to make major organization-wide changes, as well as solid experience in the trenches, having built and deployed complex solutions in the past.)

Too often, companies attempt to compensate for a lack of versatility by doubling down on compartmentalization—defining narrower, more rigid roles for each and every contributor, which leads us to:

CONTRARIAN PRINCIPLE #3: THROW OUT THE COOKBOOK

Faced with an army of specialists to somehow organize and manage, most companies will opt to create inflexible roles, rigid job descriptions, and prescriptive playbooks.

So-called "best practices" will dictate the drafting of a massive, inaccessible book of requirements, and then a series of non-negotiable sign-offs that must precede even the smallest of action items.

Unfortunately, these very efforts to govern the process will make it nearly impossible for your team to pivot efficiently or to react effectively to

the requirement shifts and spontaneous obstacles endemic to large-scale IT projects.

That's why I advocate a special brand of Agile Development that truly separates a project's essence from its rituals and mechanics. Too often, even companies taking the "Agile" approach fall victim to process inflexibility and superfluous ceremony.

The truth is that uncompromising adherence to any written directive—even one written by proponents of an "Agile" philosophy—quickly voids a project of its agility.

Instead, you and your team are much better served by staying adaptive—continually fine-tuning tactics to better align with your project's underlying business value.

Sadly, most companies will never learn that lesson. By this point in the process, their bloated, confined staff of specialists has already triggered a caustic chain of events, sowing the seeds for project failure—a protracted, vicious cycle in which every bad outcome begets more staff, more specialization, and more rigidity.

Equally toxic, in this scenario, is the stifling effect of a rigid requirements model. When a project gets held captive by linear, inflexible processes, you'll find few stakeholders brave enough to upset the applecart, even by pointing out obvious red flags.

This could almost be a contrarian principle in and of itself—encouraging healthy dissent throughout the workforce. Surely, the suppression of early warning signs only serves the interests of individuals, and not the project—which takes us to:

CONTRARIAN PRINCIPLE #4: **DISTRUST AND VERIFY**

Given that IT transformation initiatives require huge capital expenditures, you'd expect project contributors to be scrutinized early and often for any signs of distress.

But you'd be wrong: In many cases, these projects languish for years without any formal lines of accountability taking hold or sufficient oversight. Instead, we get simplistic (often misleading) dash boards and project status reports that tend to sugarcoat setbacks, minimize concerns, and paint all-too-rosy pictures of on-schedule, under-budget performance.

One of the problems is that culturally, insurance companies (especially mutual insurance companies) tend to foster an "all for one, one for all" mindset.

And while this may be excellent for staff stability and cohesion, it makes straightforward accountability—at all levels—all the more difficult to implement. Rarely do insurers ask that devastating but crucial question: "Whose career should take a hit when this doesn't work?"

After all, it takes a sustained, unflinching effort from senior leadership to build a culture of accountability, and it's the C-suite—in many cases—who's most responsible for project waywardness.

In fact, it's not at all uncommon for senior executives to decline involvement entirely until months—or sometimes years—into the transformation project, at which point the damage is usually done. (Worse, executives in this position are often tempted to make knee-jerk corrective decisions that—in many cases—only compound an initiative's underlying frailties.)

"Oh, it's just an IT initiative" they'll say as the project gets underway. "We don't fully understand the technology aspect. We leave that to the software people."

They see only a technology problem, where in reality there's a business problem. Hence, they only get involved when major capital decisions must be made, or when the train is clearly off the tracks.

In either case, it's usually too late to save the project. The most crucial work has to be done at the outset—creating an underlying foundation for success down the line, which brings us to:

CONTRARIAN PRINCIPLE #5: **HIT THE GROUND THINKING**

When, at long last, IT transformations get the green light from upper management, there's often a groundswell of initial excitement and restlessness. Everyone is eager to hit the ground running, to sow the first seeds of progress. But in doing so, they have a tendency to neglect the most important component of all—the solution architecture.

Architecting IT is no different than architecting a physical structure; it's a combination of science and artistry. Think of it as a blueprint—a logical, elegant framework for decomposing and organizing complex requirements before

committing to any single technology or strategy.

The strength or weakness of your architecture will almost always predict the success or failure of your overall project. Done correctly, a solution architecture is an elegant, priceless asset—the lynchpin of your implementation.

Yet skilled solution architects are rare and difficult to find, which only reinforces the usual habit of short-changing (or skipping entirely) this vital stage in the process. And since, for obvious reasons, one can't switch architectures midstream, the incomplete (or inadequate) architectures take root and give way to anarchy. By the end of our implementation, instead of finding a well-planned city—we're left with the makings of a shapeless software shanty town.

Above all else, it's imperative for "architecture visionaries" to clearly define and articulate their thoughts and expectations at the project's start. But instead, most will produce either a 200-page document, or nothing at all. (In either case, it's nearly impossible for team members to assimilate the vision.)

Conversely, nearly all successful IT transformations begin with well-articulated business and technical visions—distilled in a handful of key blueprints, schematics, and pictures.

After all, your solution architecture might be absolutely brilliant—but if it isn't accessible, it isn't worth the paper on which it's drawn.

OUTPACING THE SPACE SHUTTLE

Having now introduced a few of my favorite contrarian principles, I'm reminded of something else Einstein once said on the subject of human folly:

"We can't solve problems," he insisted, "by using the same kind of thinking we used when we created them."

Remember those words, particularly if you ever find yourself the CIO of an insurance enterprise in the midst of a 10-year, \$50 million IT transformation. It can be difficult—sometimes impossible—to fight the inertia of a project like that. (In many cases, a troubled IT transformation is like a gangrenous limb; it must be severed before it's allowed to infect the rest of the system.)

Others may be tempted to avoid the transformation process altogether—perhaps shifting those funds towards space exploration, instead. But know this: If there are indeed insurance industries in the distant reaches

of space, there are likely also soul-crushing, interminable IT transformations. In this universe, at least, it seems you rarely find one without the other.

In the end, neither avoidance nor complacency will save your transformation project—only the bold, objective thinking of a contrarian.

And it may yet be a hard-fought struggle for us all. But by following these principles, anyone with enough boldness and courage can minimize the time, cost, and uncertainty of a major transformation initiative.

It's true in healthcare, e-commerce, and insurance most of all: Sometimes the fastest path to the finish line is in the opposite direction.

About the Author

K. Ram Sundaram is a Principal at X by 2 Inc. He has more than 20 years of IT and management consulting experience in both industry and government contexts. This includes the conceptualization and implementation of technology solutions for clients in the insurance, healthcare, retail, and financial services industries, among others. Ram specializes in business analysis and the realization of large-scale, complex-technology implementation projects. He is a trusted advisor to Sr. Insurance Executives on their enterprise class technologies and multi-year strategies.

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