



THE RACE TO DELIVER NEXT GEN WEB CAPABILITIES – DO YOU HAVE A WINNING STRATEGY? BY OLEG SADYKHOV

THE CHALLENGE

If your company is like most, you are constantly looking for ways to deliver increasing levels of service to your customers and distribution channel partners in order to keep pace with or get ahead of your competitors.

Many insurance company executives that we have spoken to say that customer expectations regarding service levels, choice, and value are continuously rising. This, in large, has been driven from examples provided by leading edge companies in both the insurance industry as well as other industries. The use of web channels to conduct business is an area specifically with high expectations and large unexploited potential.

Of course, the web is not a new concept and all carriers provide some web functionality to their customers. What is new, however, are expectations of just how dynamic, full-featured, transactional, fully integrated, and usable these capabilities can be. Customers expect to find a clear and simple account of all of their services and products in one place that allows them also to make inquiries and changes, 24/7. Agents expect to interact with carriers over the web without leaving their own software systems and yet transact straight-through with carrier information systems.

The vast majority of insurance companies that we interact with fully realize that the concept of 'web as a channel' is here to stay, and are now planning the next generation of upgrades and changes to their business models and systems to take advantage of this reality. Of course, there are many choices that need to be made and companies may differ significantly in their response to the 'web challenge'. Among the choices and opportunities are...

- What services should we offer via the web? Is it going to be a communication tool or a transactions tool?
- Are we going to meet or beat the competition?
- Do we want to be a leader, a fast follower, or late adopter?
- What levels of customer self service are we going to provide?

- How should we deliver? Directly to customers, or via links with our distribution partners?

However, a few constraints and internal limitations typically come into play, namely:

- A number of key business processes and business rules are not yet automated. A significant amount of "know-how" is in people's heads.
- There is a need to integrate with and leverage legacy information systems that have been accumulated over time. Mainframe-based policy, claims and billing systems are very common. Even client-server systems now fall into the legacy category when it comes to modern web capabilities
- Business cannot stop or slow down, and all of the required changes have to be implemented while the 'plane is in the air'
- IS departments cannot implement required changes fast enough due to a lack of agility

So, the challenge that more and more companies face is how to respond to increasing pressures from customers and channel partners and deliver next generation web and straight-through processing capabilities while facing real-world constraints and limitations.

ADDRESSING THE CHALLENGE

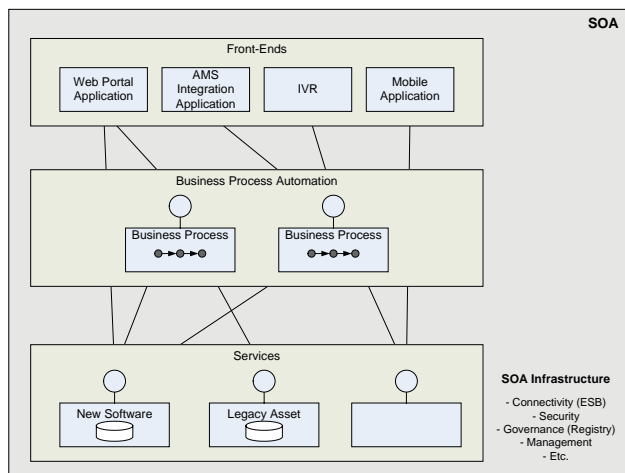
Through our experience we have found that firms able to consistently roll out new innovations have three things in place and in common:

- a long term, externally-focused business strategy to meet customer and channel needs,
- a management team on the same page when it comes to business priorities and investment levels
- a supporting technology plan that both delivers in the short term and builds a long term architecture, which enables IS to be responsive to future requirements

While business strategy and management team issues may largely be unique to each company, an ingredient of the supporting technology plan common to most in the industry is the technology paradigm called SOA

or Services Oriented Architecture. There is a great deal of industry-level interest in SOA as an important enabler of innovation especially as it relates to web and straight-through processing initiatives

SOA is a style of enterprise architecture where software assets are organized as “services” that provide information, execute transactions, and deliver value. SOA deals with problems of developing, publishing, composing, and managing the use of such services in a secure and reliable fashion. SOA delivers rapid implementation of new solutions by leveraging existing technology assets and developing business process automation solutions using pre-built services.



The diagram above shows a high-level conceptual view of SOA and its main components. It is important to note here that ‘service wrappers’ around legacy assets, new software components and automated business processes look very much alike from the perspective of customer facing front-end applications. SOA emphasizes what services are provided and not how they are implemented. Such uniformity of ‘service wrappers’ is very important for this evolutionary and agile way of creating new customer-driven applications by “snapping” together LEGO-like service blocks.

If we compare the strengths and benefits of SOA with the challenges and limitations faced by companies as they tackle next generation web capabilities, we can see why there is so much interest in SOA in the industry:

- SOA is an important enabler of web and STP initiatives, which in turn are key for enhancing customer experience
- SOA emphasizes Business Process Automation (BPA). Without a successful BPA solution it’s difficult for the business to provide great self-service capabilities and scale both in terms of new geographies and new product lines
- SOA provides a way of leveraging legacy assets for next generation customer facing applications. This

helps companies avoid replacing core systems just to support web-based initiatives

- SOA is important for IT agility, which in turn is vitally important for business agility. An agile business can quickly adapt to market changes and customer needs in a cost-effective way. This creates the opportunity for competitive advantage and business growth.

The strengths of SOA mentioned above address especially well the weaknesses and challenges faced by many in the insurance industry. It comes then as no surprise that 39 percent of insurers indicate that they have an enterprise-level strategy and commitment to SOA vs. only 17 percent across all industries (according to a report published in March 2006 by Forrester Research).

ELUSIVE EXECUTION: WHY IMPLEMENTATIONS FAIL AND HOW TO AVOID THE PITFALLS

To succeed, as we mentioned earlier, it is necessary to have a long-term business strategy, understanding and buy-in from the management team, and a sound architecture and technology plan. But of course, in order to achieve the desired results, it is also extremely important to execute the strategy well. As more and more companies embark on initiatives related to web and STP it is becoming possible to analyze their approaches, identify patterns, and learn from them.

For example, one of the most concerning trends that we see today is a tendency for business to take a “hands off” approach to web and STP initiatives and to treat them as IT problems. Consequently, organizations do not fully commit to delivering these capabilities in a timely fashion, do not hold their IT departments truly accountable, and approach the initiatives tactically. Some of the other notable execution problems include:

- ‘Big Bang’ waterfall approach. Its characteristics usually include multi-year timelines, organizational bureaucracy, and no concept of a self-sustaining ROI. Moreover, the organization’s metabolism and culture prevents problems from being detected and cured in a timely fashion, which leads to false starts, long elapse times to make course corrections and adjustments, and poor risk mitigation
- Lack of architectural vision and approach. A good example of this problem is when organizations try to apply ‘brute force’ integration techniques to solve STP problems. In these scenarios, customer facing applications are used to collect data and to feed the data to the existing back-end systems directly. Fundamentally flawed and missing the important business process automation angle, this approach results in expensive implementations that don’t deliver the desired value

- IT departments often underestimate the complexity of the problem. This manifests itself in IT staff and resources not possessing sufficient business knowledge, rudimentary approach to skills acquisition via just a few weeks of training, tactical approach to problems, underinvestment in architecture, etc.

To conclude, we would like to emphasize that a successful solution to the 'web puzzle' will require both business and technology perspectives.

It must start with a simple and focused business strategy. It should set challenging, but realistic goals and commit the entire organization to achieving them. Best practices that we see often include externally committed milestones, such as a product launch in the market or a CEO-level commitment to the agent community.

The next step is to create a practical and creative enterprise architecture to support the business goals. This step is crucial and, if seasoned expertise does not exist within the organization, it pays to bring in experts who can craft a plan that uses and leverages lessons learned by others, while taking into account the uniqueness of your company. Outside knowledge experts can help internal IT accelerate progress and facilitate "learning by doing".

When it comes to execution – both business and IT should be fully engaged. Business should commit time for full involvement, not just sporadic sessions and project updates or status meetings. Solutions should be delivered incrementally, with funding tied to delivery of value. This will lead to approaches that are agile and adaptive in their nature. From our experience, such approaches are the only ones that are proven to deliver results within desired timeframes and costs.

About the Author

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