The power of change
8 steps for success in insurance operations transformation

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More than ever before, the success of insurance companies is determined by their ability to successfully transform critical areas of their operations. Carriers are making significant commitments to enhance the customer experience, replace aging technology and fundamentally upgrade core operational processes in underwriting, policy administration, claims, billing, distribution, finance and other essential functions. These are high-stakes investments measured in the tens of millions or even hundreds of millions of dollars. The winners – those carriers able to generate fast, predictable results on their strategic investments in new capabilities – will distance themselves from a crowded pack. But some carriers place more focus on the process and systems transformation efforts and not enough on the critical element of change management, resulting in failed projects or unfulfilled value propositions.
To succeed, broad-based transformations need a wide spectrum of expertise and significant effort and leadership to be applied across multiple business functions and at every layer of the enterprise. Given the complexity of such initiatives, it is no wonder that so many of them fail outright or deliver subpar ROI. According to the Center for Creative Leadership, 66% to 75% of all change initiatives fall short of their objectives. However, 88% of projects with an effective change management program in place exceed expectations, compared to 17% for projects without.¹

In this paper, we will outline the importance of a strong organizational change management (OCM) program and highlight the following eight core steps that can help insurers leverage effective OCM to drive success in critical strategic initiatives:

1. Set up for OCM success with a holistic, robust plan ready from the outset of the project.
2. Define the vision and goals in ways that are relevant to people at all levels of the organization and to key external stakeholders.
3. Engage and align leadership teams and stakeholders for a broad view of impacts and to define the story.
4. Modify roles, governance processes and operating models to drive targeted business outcomes and behaviors.
5. Communicate and share information to reduce resistance and sell the change.
6. Align HR-enabling processes to reflect new objectives and ways of working.
7. Re-skill and up-skill associates and their managers to sustain performance improvement for the long term.
8. Establish formal metrics to evaluate the success of the program and proactively identify areas of concern needing attention.

**OCM as “X” Factor**

Much has been written about the importance of OCM in enabling the success of transformation initiatives. Integrating effective OCM in all transformation initiatives from the very beginning of the program is one of the ways insurers can avoid implementation failures. These failures result in lack of associate, producer or other third-party engagement, weak stakeholder alignment, mismanaged expectations, poor communications and ineffective incentives and skills to sustain improvements over time. Given that most transformations in insurance require major changes to all aspects of operations – technology, processes and roles – it is no wonder that end-user adoption is a major challenge.

While executives and managers may understand the theoretical value of OCM, its practical application has been limited, largely because it has been viewed as a “nice to have” rather than as a critical success factor. Slowly, that perception is shifting as forward-looking insurers – including those that have undertaken successful transformations of core operations – come to recognize OCM as an essential and direct driver of the core business case for large-scale strategic initiatives.

Why has OCM become more important? Largely it is because the risks around transformation have increased dramatically. No matter the scope, companies must generate the expected value and benefits from their investments in transformation programs as soon as possible. Because large-scale programs at global insurers can take 18 months or more to complete, transformational efforts that fail to implement effectively may cause carriers to fall a year or more behind competitors investing in similar capabilities. Mid-market insurers adopting targeted initiatives with six-month timelines are under just as much pressure to produce tangible value as quickly as possible.

As insurers across the industry undertake more and broader change initiatives, their organizations are simultaneously becoming leaner. These developments have placed a premium on the people with the ability to drive and manage change effectively. Properly skilled and staffed OCM teams can serve as enablers of change, helping managers across the enterprise cultivate the skills and knowledge required to drive successful transformation within the organization. In this way, organizational “changeability” can become a repeatable skill and a potential competitive weapon. Indeed, change management has matured into a discipline with clear best practices and measurable outcomes directly linkable to business objectives.

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Historical barriers to OCM

There are several reasons why insurers have not fully embraced OCM over the years. Conventional wisdom did not view change management as a distinct management discipline. This view has been a function of several dynamics, including the scarcity of skilled and experienced practitioners and the pervading sense that it was too much about academic theory and not enough about results-oriented action. Additionally, insurers expected already-busy middle and front-line managers to handle change management while simultaneously managing their day-to-day responsibilities.

Today, change management skill sets are as specialized and identifiable as those associated with technology, finance or other critical business functions. There are academic programs and accreditations focused on each of the specific capabilities of OCM. Clear best practices, benchmarks and metrics have emerged, with an emphasis on bottom-line results and quantifiable improvements. In short, the discipline has matured.

The specialized skill requirements and high cost for developing new technology has been another obstacle to the adoption of OCM. New software platforms or major upgrades to core operations and finance systems consume the vast majority of transformation budgets, leaving comparatively few dollars left for the so-called “people side” of projects. In some cases, organizations plan robust OCM efforts in advance only to have the money run out as deployment plans and transformation timelines are delayed or additional tools and software must be purchased.

This is not to say that OCM budgets should be on par with technology costs. However, in planning transformations, senior leadership should plan for appropriate numbers of experienced professionals with demonstrable change management skills, including leadership alignment, stakeholder engagement, communications, coaching, and organizational alignment and development. The team should include both senior strategists and “hands-on” practitioners with delivery responsibility. Optimally, the OCM resources will have relevant functional and industry experience as well, to enable OCM solutions to be customized to the specific needs of the industry and/or function where they are being applied.

While analysts and researchers have claimed that 15%-20% of overall transformation budgets should be allocated to change management, the right number will vary by circumstance. The overall scope of a transformation plan will have a huge impact on defining the appropriate percentage. Specific questions for organizations to consider are:

- How many functions, associates and geographies are affected?
- What is the duration of the program?
- How extensive are the planned changes to roles, processes and technologies?
Hitting the right budget figure is all about asking the right questions during the planning phase. Change sponsors must bear in mind that investments in change management represent a fractional part of the overall budget for a transformation program and yet can yield substantial gains in ROI. Conversely, the short-term savings of relatively small amounts of investment, by skipping or marginalizing OCM, may greatly inhibit long-term value creation at a much larger scale.

Another reason OCM remains low on the agenda is a phenomenon that might be called the “everybody/nobody” paradox. The paradox starts with the assumption that change management critical success factors are intuitive. Everyone agrees that leaders need to collaborate across functions and that people need to understand what they are doing and how they will work differently. No one disputes that an engaged, well-informed and motivated workforce and distribution force are preferable to ones that are indifferent or resistant to change. However, because there is broad consensus on these goals, leaders assume they will be met with little proactive planning and effort. There has been a sense that OCM was “everybody’s job” and therefore it has frequently become “nobody’s job.” As a result, OCM has not always been approached with the required rigor and discipline of other aspects of the transformation initiative.

Practical industry experience (as well as a significant amount of management research) confirms that this is a false and dangerous assumption. Even change that is necessary for the most obvious reasons and offers a clear, compelling payoff simply doesn’t happen by itself; it takes a commitment to communicate, advocate for and “operationalize” change so that it fulfills its promise and achieves the targeted benefits.

Project teams and business stakeholders alike may underestimate the resources and effort necessary to design and execute all the elements of effective OCM, thinking that OCM is only about training. Training is certainly a key part of any OCM strategy, but it is frequently insufficient by itself to drive changes in behavior, prepare operations for a smooth implementation or sustain improved results over time.

Another common pitfall is to assign communications responsibilities to a thin group of middle and front-line managers who must also manage business-as-usual operations during transitions. When OCM is assigned to someone with another “day job,” change initiatives almost always suffer and tend to become lower priority during a busy period.

The lingering view of OCM as the “soft” part of transformation has inhibited its adoption by many firms most in need of its benefits. This perception is

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**OCM in action**

- A leading global brokerage fundamentally changed the way it served customers by deploying a revolutionary tool for accessing market data. Supported by highly visible executive sponsorship and an extensive internal marketing campaign, an integrated OCM team engaged with local “change champions” to share information about the immediate impact, win the “hearts and minds” of the impacted stakeholders and ensure the new tool was embraced across worldwide operations— all this in an extraordinarily aggressive time frame.

- A US insurer leveraged a robust program management to complete a multiyear claims transformation resulting in more than US$100 million in savings. Afterward, it converted the PMO into an enterprise change management unit that guides and supports all of its strategic initiatives.

- A global insurer seized the opportunity presented by a product-driven transformation to drive cross-functional collaboration, promote a customer-centric vision and establish a proactive, high-performance culture. The OCM team laid the groundwork by engaging a broad team of stakeholders to capture insights on future-state needs, build consensus, and create momentum for a long-term, enterprise-wide transformation.
gradually changing, largely through the painful (and expensive) experience of failed projects and unfulfilled value propositions. Only in recent years have the full ramifications of subpar OCM been made clear. A number of research studies have confirmed that under-investing in or otherwise neglecting change management will slow the achievement of benefits, disrupt the customer experience, lower morale and fail to sustain improved performance over time.

Further, these studies have identified end-user resistance to change, poor synchronization across functional workstreams and lack of information as among the common failure points in transformation programs. All of these risks can be mitigated and even eliminated through effective OCM. The experience of insurers that have successfully transformed has confirmed their clear and direct link to hard, bottom-line benefits. For insurers that recognize the business case for OCM, the question becomes, how do we establish an effective framework for moving forward?

**Getting to effective OCM: 8 steps forward**

1. **Set up for OCM success**

   Every strategic initiative has different objectives and challenges and its own unique business case. However, nearly every successful transformation has three fundamental capabilities that serve as the foundation: a strategic road map (including the target operating model design), strategic initiative management and organizational change management. Insisting these are all in place at the outset of the program will ensure that the fundamental transformation management disciplines are in place for OCM.

   It is critical that OCM is understood to be more than simply communications and training. The change management plan should be a holistic and robust plan focused on achieving benefits faster, more predictably and sustainably. The plan must define precise ways in which transformations will be managed with minimal disruption to customer service and operations. The plan should openly acknowledge communication and other risks and barriers (including cultural reluctance to “rock the boat,” integration with other strategic initiatives, failures of prior initiatives, and operational impacts) while also leveraging existing communication structures and cultural norms as appropriate.

2. **Define the vision**

   In the simplest possible terms, a clear vision can serve as a guidepost pointing the way to the end state – whether that is world-class levels of process efficiency, improved underwriting and claims results or a truly differentiating service experience for policyholders and producers. Creating a strong vision starts with a clear and compelling articulation of the business case for change. The vision must clarify why the organization is investing in the strategic initiative and how the expected outcomes from the initiative further the company’s strategic goals and/or manage key strategic risks.

   While a big-picture or “blue-sky” vision can be inspiring and help everyone see what transformation success looks like, leaders must also translate the vision and define goals in ways that are relevant to people at all levels of the organization. The specific concerns and needs of key external stakeholders, such as agents and brokers, must be addressed.

   The most effective visions are those that provide:

   - Big-picture views of expected benefits and value to be created, such as business growth due to new products and services, improved service and efficiency by streamlining legacy processes and enhancing technology, and higher profitability by improving underwriting and claims execution.

   - Empirical evidence that change is needed. Such evidence can provide “reasons to believe” and may include facts related to customer and producer research, process quality and efficiency, cycle times related to legacy technology vs. new systems, and employee engagement survey results.

   - A sense of the impacts on individual functions and teams. Change teams must prepare clear, convincing and detailed answers to the question that will be on the minds of everyone affected by the change: “What does this change mean for me?”

3. **Engage leadership teams and stakeholders**

   Strategic initiatives and large-scale transformation initiatives typically reach across organizational boundaries. Teamwork and a shared vision for the leaders of these organizations are critical. In other words, success starts at the top. Senior-level executive sponsorship endorses the view that specific change programs are critical to overall business success. However, that sponsorship must translate
Only after a decision was made on the most appropriate technology solution was it shared with the OCM and business teams. Once the OCM and business teams reviewed the results, they found the deployment solution was not viable.

into visible commitment: ongoing engagement with transformation teams; fast, effective decision-making; regular communications with operations leaders; and appropriate follow-up with executive steering committees.

For cross-functional transformation programs, OCM teams should regularly engage all relevant stakeholders to gather their input, hear their concerns and share information. Stakeholders should be defined as anyone impacted by the change or who can have a major impact on the transformation initiative. Therefore, depending on the nature and scope of the initiative, regulators and customers may be included among the stakeholders. Such an externally facing approach can yield valuable insights about the full range of impacts and improvement opportunities and identify potential points of resistance. It can also help ensure acceptance and advocacy at critical points in the organization. Program teams also need to plan for considerable time to keep leaders of each stakeholder group informed of decisions, progress, risks and issues so they can remain aligned to the program and communicate successfully to their constituents.

Some stakeholders (e.g., agents) merit their own dedicated communications as initiatives move into transition and implementation phases. The goal is to ensure business isn’t impacted during deployment and that stakeholders are excited and engaged about the “new way.”

4. Communicate, communicate, communicate

Engaging associates and other stakeholders via effective communications and information-sharing is another critical success factor in OCM. While effective communication is often viewed as synonymous with effective change management, it is important to recognize that communication is just one enabling factor in a broader framework of activities. As such, communications specialists should be engaged as early as possible in planning stages so that they have line of sight across and can synchronize with other key workstreams and activities.

Robust communications plans are typically designed to address the appropriate sequencing and cascading of information – that is, senior business leadership is made aware of the business case for change, the potential impacts and relevant transition and risk management plans before middle and front-line managers, who are notified before affected employees and, ultimately, the entire employee base.

Given today’s many options for digital communications (not to mention a media-saturated culture), most insurers do well to adopt multimedia campaigns to share information about transformation programs, including the use of social media. For large-scale transformation programs, communications plans may be best viewed as internal marketing campaigns. Breaking through the clutter and information glut requires a lot more than a few articles posted to the company intranet site.

Ideally, everyone understands the “why” of change (e.g., the business case), as well as the “what” (specific changes), “how” (transition plans and necessary behavior changes), “when” and “where.” Put another way, the most effective communications plan addresses the dissemination of both strategic and tactical information.
There may be a risk that the business case seems so obvious to leadership and project teams that they underestimate the frequency, types and channels of communication that are needed to explain it to all audiences (not to mention motivate those audiences to endorse, adopt and get excited about the change). The most effective OCM programs take advantage of collaborative communications technologies as part of the solution set for decision-making and for ongoing stakeholder communication.

Lastly, an effective communication plan includes the establishment of two-way communications channels to ensure valuable ground-level input, feedback and suggestions are gathered and shared with the appropriate leaders and transformation initiative team members. Experience shows that when stakeholders and associates have a chance to share their “two cents,” resistance to change is diminished and adoption rates are typically much higher.

5. Modify roles, governance and operating models

Successful transformation programs are notable for the manner in which they drive targeted business outcomes that track directly back to the original business case and value proposition for change. For instance, transforming to become more customer-centric requires the execution of many tasks and activities across an enormous range of external touchpoints and internal processes. Fundamentally changing the way a company works – a typical outcome for transformation programs – requires modifying organizational roles and responsibilities, governance structures, performance metrics and operational models. Most organizations may not view these activities as OCM, but they are certainly necessary to drive optimal value from transformation initiatives, especially in relation to end-user adoption.

Insurers may expect a broad range of benefits and dramatic improvements in targeted business outcomes but overlook necessary analysis and planning to address the extensive changes required in everything from standard operating procedures to the measurement of individuals and teams. Organizations that miss the details may find that customers and agents are not being serviced properly once new systems and processes are implemented. The required modifications depend on the scope of the transformation program. However, it is generally safe to say that the more value insurers seek from their transformation programs, the more change will be required, and therefore, more details will need to be tightly managed.

6. Align HR-enabling processes to reflect new objectives and new ways of working

Related to the need to adjust governance structures and operating models, HR processes must be adjusted to reflect new ways of working. Performance management tools and processes, recruiting approaches and career development strategies may all be adjusted to support the requirements for new skills and knowledge. In some cases, staff may need immediate retraining for new assignments. Engaging HR teams at appropriate times before, during and after a transformation increases the odds of success and the likelihood of achieving full integration in the organization, as well as helping to ensure sustained benefits over time.

7. Re-skill and up-skill managers and associates

Given the increasingly competitive dynamics of the insurance industry, organizational appetite for change and overall agility will become necessary attributes for all companies in this sector. There are several ways insurance organizations can prepare for the inevitable changes to come. Re-skilling and up-skilling are necessary to help mid-level managers lead in an environment with increasingly more changes and fewer resources, and often a high degree of ambiguity. Managers will also need re-skilling to adjust to new ways of managing as companies are increasingly using outsourcing, new metrics and other strategies to improve performance.

Another effective tactic is “reverse mentoring” for workers on different sides of the digital divide. An innovative way to encourage collaboration and education, reverse mentoring can pair digitally savvy millennial workers with more senior managers who may need help adjusting to making decisions based purely on data models and analytical tools. Those managers can then share their perspectives and experience with younger staff regarding organizational nuances, competitive frameworks, networking opportunities and relationship management.
8. Establish formal metrics to evaluate the success of the program and proactively identify areas of concern needing attention

A critical element of a transformation initiative is the ability to evaluate and measure the extent to which it is on track as well as its success. Typically, these metrics have been confined to budget and timelines. OCM can play an integral role in establishing the formal metrics related to a broader, more holistic set of metrics, such as employee engagement, customer experience and stakeholder readiness to change. Establishing these metrics, and a formal method for collecting and reporting on them, early in a transformation initiative helps ensure leaders are more aligned to a common set of goals and expectations. By monitoring and evaluating against these metrics, areas of concern can be proactively identified and addressed.

Transformation initiatives that take a broader, more holistic view of success metrics for a program are less likely to lose focus on the true business drivers behind the program. Often program teams get caught up in making decisions based on technology requirements rather than considering the employee and customer impact. A recent example is a national P&C carrier that was defining the rollout strategy for the new technology and organizational structure of its claims organization. The initial discussions revolved around the ability to deploy the new technology and the complexities in migrating legacy data from the existing systems. Only after a decision was made on the most appropriate technology solution was it shared with the OCM and business teams. Once the OCM and business teams reviewed the results, they found the deployment solution was not viable and actually would reduce the performance of the claims organization. The deployment plan had to be completely revisited and revamped.

Bottom line: OCM as a difference maker

Investing in OCM is no longer an option for most organizations but a critical success factor for transformation programs. Intense competition, regulatory shifts, rising customer expectations, outdated technology – all of these factors have made transformation a strategic imperative. Companies that have successfully completed transformation initiatives know that OCM has been critical to meeting and exceeding their ROI models.

Many insurers are coming to terms with the requirements for OCM success. First and foremost, OCM skills are specialized – not just anyone can do it. Therefore, leaders can’t assume that front-line managers can take on this responsibility, especially on top of their business-as-usual activities.

Second, insurers should shift their view from OCM as a management theory to OCM as a discipline that requires specific expertise, methodologies and tools that delivers measurable outcomes. And they must see that OCM is an essential ingredient for “operationalizing” change so that it takes hold across organizations.

As more insurers undertake broad-based transformation initiatives, OCM is gradually becoming a higher-priority investment – and rightly so. As demonstrated by the experience of insurers that have successfully transformed key operations, OCM is not the soft, “nice to have” of conventional wisdom but rather a critical enabler of the hard, bottom-line returns that insurers expect from their transformation investments.

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