

Rejuvenating IT to Increase Accountability, Responsiveness and Overall Performance

Industry & Client Situation

This life insurance and annuities company, a pioneer in the variable annuities market, had recently begun losing market share. While the entire industry had been suffering since the stock market downturn that began in 2000, those nimble enough to rapidly switch emphasis from variable to fixed annuity products that are more attractive to risk-averse investors in a down market were gaining market share. This company found itself unable to execute such a switch, in large part because its information technology organization simply could not make the necessary system enhancements rapidly enough. The IT organization had been outsourced – infrastructure as well as software development and maintenance – several years earlier.

Approach

After interviewing a cross-section of IT managers, line business managers and members of the outsourced partner organization, we undertook a root cause analysis of IT's perceived underperformance in support of the businesses. A handful of problems at the root of the IT organization's inability to deliver were identified. First and foremost, influential parts of the Company had not wholeheartedly bought into the outsourcing concept. As a result, an ever increasing share of the more interesting development work (e.g., eCommerce and e-Business applications) was being done by company IT professionals who somehow fell outside the bounds of the outsourcing arrangement. The outsource vendor saw this as an attempt by the company to rebuild an independent IT organization and immediately went into "harvest" mode, fulfilling its contractual obligations – at its own pace – but doing little more. A related challenge was the proliferation of point solutions around the core architecture, increasing the overall complexity of the architecture and the time necessary to make even conceptually simple enhancements.

To strengthen IT's capabilities and overall performance, we recommended an interrelated series of actions; renegotiating the outsourcing agreement to exchange greater responsibility for better defined and more customer-oriented performance obligations; funding a progressive reengineering of core applications to eliminate point solutions and reduce architectural complexity; instituting regular, senior-level review meetings between the company and its outsource partner; and earlier involvement of the IT organization in the product development process.

Results

Benefits included an immediate drop in IT cost negotiated into the revised outsourcing arrangement and a rapidly improving ability to implement new product ideas.