

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 for some time been losing market share. While much of the industry had been struggling since the stock market peaked in 2000, those nimble enough to rapidly switch emphasis from variable to fixed annuity products, more attractive to risk-adverse investors in a down or sideways 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

Investigative work and a comprehensive root cause analysis identified the most serious problems at the root of the IT organization's inability to deliver.

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 eBusiness applications) was being done by company IT professionals who somehow fell outside the bounds of the outsourcing arrangement. The vendors to whom application development and maintenance responsibilities had been outsourced saw this as an attempt by the company to rebuild an independent IT organization and immediately went into "harvest" mode, fulfilling contractual obligations but little more. Second in importance was the proliferation of point solutions around the core architecture, increasing its overall complexity as well as the time necessary to make even conceptually simple enhancements. Lastly, the company had come to tolerate finger-pointing among vendors as an excuse for failing to deliver required product line enhancements.

To strengthen IT's capabilities and overall performance, we recommended an interrelated series of actions:

- Renegotiating outsourcing agreements 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 vendor partners
- Involving the IT organization far earlier 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.