

## Post-Conference Point-of-View

# A Time for Innovation

By Rod Travers

This is a promising time for innovation in the financial services industry. To some that might sound like an oxymoron. Indeed, the financial services industry and in particular insurance companies have a reputation for "incremental" change. That's a nice way of saying insurance companies are careful, sleepy, and maybe even boring when it comes to innovation and change. After all insurers are in the business of managing risk, and what better way to do that than to avoid unnecessary change?

Yet as we know, some of the most innovative insurers are also among the most successful. The oft-talked about Progressive has propelled itself to industry leader status with innovations in technology, marketing and service. USAA was (and is) a pioneer in "one-stop shopping" for financial services. Their customer-oriented business strategy coupled with accomplishments in data integration and contact centers are key enablers to their success and evolution.



Rod Travers

Right now, opportunities abound for innovation in the insurance world. And I'm not just talking about technology. There are many areas where carriers can innovate and differentiate to attract and retain customers. Here are a few:

### Process innovation.

In his recent Harvard Business Review article entitled "The Coming Commoditization of Processes," Thomas H. Davenport predicts many business processes will become standardized and thus be easier to benchmark and outsource. While I agree with the fundamentals suggested by Professor Davenport, I believe this trend does have practical limits. More importantly I believe such commoditization creates opportunity for innovative companies. It's not enough just to make your processes as good as your nearest competitor. You have to

make your processes distinctive. They have to support your unique business strategy and define your unique service signature. Thus filing a claim with Chubb for example, is an entirely different experience than filing a claim with a low-cost carrier. Of the many areas where innovators can differentiate with process, perhaps the most important are in customer experience and relationship enablement. Customers (and agents) want to be treated as individuals, and they want to have a pleasant, hassle-free experience on their terms. In return they are loyal, buy/sell more of your products, and evangelize your great service.

### Technology innovation.

The wireless revolution is in its relative infancy. At present, the state of wireless today is akin to dial-up versus high-speed internet access a few years ago. Up to now, wireless availability has been limited and unpredictable. As wireless bandwidth and availability climb, opportunities for innovation will increase. The package delivery companies have taken most of the arrows in this arena, so financial services companies have lots of upside with little risk. Obvious applications are in claims, new business, and customer service. Less obvious are the relationship-enrichment opportunities that will be truly distinctive. Think along these lines: If neither agent nor customer is tethered by landlines of any kind, what would you change to improve the customer experience?

Another area of potential technology innovation is process automation (a.k.a. BPM). While less glamorous than wireless, this has enormous potential to reduce costs and improve quality for many carriers who are living with older systems. The key here is not the technology itself, but how it is used. Don't just speed up old processes. Innovatively redesign them and then apply the right automation. Customer self-service, automated underwriting and agency support are just a few areas ripe for improved process automation. Innovation is already taking root in this space, as numerous insurance application vendors are incor-



porating process-oriented automation functionality into their systems.

### Cultural innovation.

One cultural imperative for today's fast-moving marketplace is getting IT and business to work together, and this has always been difficult. Leadership is the single most important element for achieving effective teamwork across these two groups. But more can be done. Results-oriented, project-based compensation is one possibility. Open market competition is another. Short-cycle projects with blended teams is yet another. Innovators will invent yet other ways to achieve the desired state, which is a team-oriented, results-oriented, knowledge-sharing organization.

These are but a few areas where innovation can lead to competitive advantage. There are many others. For true innovation to occur, it must be encouraged and supported from the top down. People who are fighting fires every day don't have the time or discretion to truly innovate. Make sure you have individuals who are given the necessary time and authority to experiment and innovate. Then put those innovations to your advantage in the marketplace.

*Rod Travers is Senior Vice President of Technology for the Robert E. Nolan Company, a management consulting firm specializing in the insurance industry, and he is also a member of the Interpreter and Technology Development Committees for IASA. He can be reached via email at [rod\\_travers@renolan.com](mailto:rod_travers@renolan.com)*