



INSURANCE

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**Lean in Insurance**

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There is no doubt that, correctly applied, Lean programmes can deliver outstanding value to the Insurance industry. But how do you correctly apply them?

In this paper we examine the difference between theory and practice and show how, by implementing the Celerant Service Delivery System™ you can guarantee that Lean will deliver for you.

Toyota developed their Lean production system in the 1950's, against an economic backdrop of hyper-competition and cost pressure that is remarkably similar to today. It delivered phenomenal results and, despite recent problems, has kept Toyota as the world's number 1 car manufacturer and a benchmark company.

Over the years, the tools have evolved and the principles have been applied in most major industries.

Yet the results have been nowhere near as impressive.

For example, in a USA Today Business article\*, only 19% of companies which deployed Lean stated that their programmes had achieved expectations.

**So what is going wrong?**

We believe the answer is simple. There's been too much focus on process improvement and not enough on people improvement.

Lean and Six Sigma techniques originate from the discipline of Quality Management and therefore have a tendency towards technical complexity and an over-emphasis on training. In our opinion, the terminology, statistics and elitism have unintentionally alienated the workforce.

Another criticism of Lean is that it manages to overcomplicate the problem before offering tangible solutions and results. That's why we emphasise to clients that success can only come through a motivated workforce seeing rapid results.

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A long period of statistical analysis followed by few results for weeks is a luxury no one can afford. Every initiative must rapidly add to the end-to-end value stream and increase competitiveness.

You can legitimately tap into the Lean toolbox and drive focused improvements without having to go through time consuming training programmes.

The skill is getting the right person to use the right tool in the right circumstance.

**How to secure a Lean Deployment in the Insurance industry?**

Lean programmes are primarily designed to reduce waste in a process and the most effective way to do this is to engage the people who are closest to the process and therefore best able to see that waste.

Yet according to a survey of 2,500 business people by Lean Enterprise Institute\*, the top four obstacles to sustainable Lean implementation are:

- Middle management resistance (36.1%)
- Lack of implementation know-how (31.0%)
- Employee resistance (27.7%)
- Supervisor resistance (23.0%)

The people who hold the answers are not being fully engaged and the key to making Lean a success, deep seated and clearly understood behavioural change, is not happening.

A further problem is that executives can often raise the bar too high. Expecting 'real cultural change' or 'Lean becoming part of our DNA' is simply not going to happen in a short space of time.

What can happen though, are rapid results and real bottom-line benefits that every member of the project team can see.

To guarantee this we have developed the **Celerant Service Delivery System™ (CSDS™)**.

It's based on our extensive experience of successful change programmes across industries and focuses on both the technical and the change dimensions of a Lean deployment.



It also guarantees that the equation: 'Effect (Result) = Quality of Improvement x Making the Changes Stick' will never end up as a big zero.

## *We have successfully deployed CSDS™ in the Insurance sector where it has delivered significant value to our clients.*

For example:

- £14 million in cost savings, improved customer satisfaction in 12 months
- £7.5 million in cost savings and 40% efficiency increase in 9 months
- Back log reduced by 77% and productivity doubled in 10 weeks

Projects involving Lean or Six Sigma don't have to be complicated.

With the right sensitivity our comprehensive approach has engaged and inspired each workforce and provided sustainable results.

### Applying Lean to Your Business

Lean methodology focuses on reducing waste in a process, increasing quality and stability, decreasing variance, cutting cycle times and improving on-time delivery.

Every element is linked, but the first is the core and the most widely known. When correctly applied, it can deliver real value by reducing:

- **Overproduction:** Only carrying out tasks when there is demand for the output. An example of this would be dealing with lower priority customer orders or complaints because they are easier to process or less hassle to complete. Beating SLAs is another example and common in Insurance environments, the idea that “going the extra mile” is improved customer service when in reality applying more resources to a task than is required is wasteful. In contact centres the ‘Grade of Service’ process often promotes overproduction in the earlier and latter half of the day, and this is then eroded during the busier parts of the day.

- **Transportation:** An example would be paperwork moving in circles for approvals or email trails chasing down particular information to complete an activity. Hand offs are another example, people having to re-learn the work prior to them adding value, which can prove detrimental to flow. The critical element is learning what can be flowed vs. what needs “case management”.
- **Inventory:** Piles of forms in an in-tray, or queues requests mounting up in a computerised workflow system will increase waiting times downstream and hence increase the overall lead time to complete the process. This is the effect of overproduction, flexible work teams and stop and fix philosophies are key elements to help reduce this issue.
- **Waiting:** Much of the work in a transactional environment is difficult to see at first glance so it is vital to be rigorous in identifying any situation where there is a delay between one process step ending and the next one beginning. Waiting for work at the start / end of a day is common practice, people are in before the work hits them, or leave before it finishes.
- **Over-processing:** Doing more than the customer would deem necessary. Many transactional processes require several levels of approvals, often causing multiple handoffs. The question to ask is whether the step is necessary and would your customer be happy if they knew they were paying for it? Balancing risk vs. cost is a key enabler to reducing cost e.g. how much time do we spend approving a loan of less than £500?
- **Rework:** Many customer service areas are guilty of not answering a customer's query fully at the first attempt in order to reduce call handling time and meet queue KPI targets. This is a false economy as the customer will only call again until they receive the service they need and the customer's experience will be all the more frustrating as a result. Up skilling front line staff and introducing the right KPI's will help, these people are the eyes and ears of the organisation and the key input to the improvement process. However there is often little if no feedback into the back office where the problem was created in the first place, so the root cause is not addressed.

## *“Change must be embedded in the mind. Not just ticked in the box.”*

- **Excess movement:** Many offices and call centres resemble a hive of activity as people are rushing around between printers, store cupboards and faxes because their workplace was designed to keep the facilities department happy rather than facilitate the work actually being done.
- **Inadequate knowledge use:** Listening and engaging employees to make sure that ideas, skills and improvement opportunities are not lost.

Once a programme is underway, the next challenge is to make the changes stick and leverage their full potential.

### Engage and Inspire your Workforce

Celerant Consulting is the largest independent player in the operations sector of the global consultancy market and our experience has shown that a successful Change Programme must address three interlocking issues:

- **People:** As we've stated earlier, the key to successfully changing a process is to change the mindset of the processes operators. To fully embed a new way of working, people at each level of the business must understand why it's necessary, own the solution, have an opportunity to try in practice and see the fruits of their efforts. This requires support, communication, coaching and perseverance.
- Our approach to this behavioural change is called **Closework®** and it delivers sustainable results by getting people to do their work differently and challenging their peers to do the same.
- **Processes:** The danger here is that often senior management don't have the full process picture and rely on how they think it is operating, rather than how it actually is operating. So it's crucial that, supported by a dynamic leadership team. Lean must be a bottom up approach. It's far easier to identify and eliminate waste in a process when you are closely involved in that process.

- **Systems:** All too often, the question: How are you managing your day to day systems? is answered by showing meeting agendas or drafts of complex reports when what's really needed is a transparent management system that goes far beyond this in both content and importance.

### Change must be embedded in the mind. Not just ticked in the box.

Although managing a deployment of Lean and driving an improvement initiative is never easy, it can deliver huge benefits in the Insurance industry, including:

- Reduced customer service costs by taking the time to deal with queries first time hence preventing repeat calls.
- Improved customer satisfaction as a result of reducing the time taken to process orders and deal with queries.
- Reduced costs as a result of reducing the complexity not only of processes, but also of the services being offered – common product platforms ensure that products can be easily understood both by customers and your staff and dealt with in the most efficient way.

Success can be guaranteed provided there's a real commitment at senior level and a recognition that external support will almost certainly be required.

Once a Lean initiative has been given the green light, it's imperative that everyone keeps their eyes on the prize.

They must fully understand the short, medium and long term objectives. The people at the sharp end must be passionately committed to making the changes work and be supported by a strong leadership team. There must be quick, proven results to keep the forward momentum and an ongoing measurement system for results and performance.

Above all, there must be a strong sense of ownership by the process operators and a belief that waste is not acceptable to anyone within the organisation.

We have over 20 years experience of delivering successful, sustainable change for the world's leading companies and last year we realised over \$1 Billion in savings for our clients. Why did those clients choose us?

#### Results Certainty

We make a significant proportion of our fees contingent on the delivery of financial and operational results.

#### Speed of Action

We quickly identify the most significant opportunities and implement improvements.

#### Global Reach

We deploy our experts to any location and have a proven track record of delivering change across regions.

With over 600 employees and offices in over 11 countries, Celerant is the largest independent player in the operations sector of the global consulting market.

If you'd like to find out how we can help your business, please visit [www.celerantconsulting.com](http://www.celerantconsulting.com)

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