BECOMING A "DIGITAL INSURER"

AN INTERVIEW WITH CATHRYN RILEY, AVIVA'S COO

Cathryn Riley, chief operations officer of UK-based international insurer Aviva, is responsible for IT, business change, and shared services. She recently spoke with BCG's Ralf Dreischmeier about her transformation of the company's IT and her goal of making Aviva a "digital insurer."

Can you briefly describe Aviva's activities?

Aviva is an international insurance company that provides life, general, and health insurance as well as asset management services. Our overarching goal is to help people save for the future and manage the risks of everyday life. We currently serve 34 million customers across 16 countries.

You've occupied the COO role for roughly two years now. During that span, you led a major transformation of the company's IT organization. What was your primary objective?

The main objective was to unlock the value of information and technology to the business by radically improving IT's performance and transforming the company into what I refer to as a "digital insurer." This was a siz-

able undertaking, since I had inherited a fragmented, underperforming, high-cost, highly complex IT organization that operated largely in silos. In fact, the role of global CIO had not existed prior to my appointment.

So the challenge was to create a global IT function and make much greater use of shared services. To get there, we established four key priorities. The first was to sort out the past—meaning tackle the considerable legacy issues that were hindering us—and simplify IT through a 50 percent reduction in applications. The second was to manage the present differently, with a particular focus on deriving greater consistency and value from IT investments, radi-

cally improving the level of IT service, and transforming our cost base.

The third priority was to modernize and digitize the IT estate and initiate the process of creating a digital insurer. The last priority was to ensure that we had access, both internally and externally, to the right capabilities. Those were really the four pillars of the transformation.

The transformation has certainly changed your IT organization. Has it also simplified the IT environment?

Yes, necessarily so. As we've pursued our objectives, we have been forced to simplify on multiple fronts. To im-

CATHRYN RILEY

Cathryn was appointed Aviva's chief operations officer in 2012. Before that, she served as Aviva's chief information officer from 2011 to 2012; she has held a number of other executive roles since joining the company in 1996. Before joining Aviva, Cathryn worked for British Coal, British Airways, Coopers & Lybrand, and Bupa in a variety of positions spanning human resources, customer services, operations, and general management.

prove our cost structure, for example, we have had to simplify the organization considerably through such levers as delayering, increasing spans of control, raising our deployment of shared services across both infrastructure and applications, and simplifying and clarifying accountabilities. Similarly, to meet our quality objectives, we have streamlined our applications landscape through greater use of agile tools and methodologies, systems thinking, and modern software engineering. We have also instituted more robust portfolio governance and made more disciplined business decisions. In short, we have tried to eliminate nonvalue-added activity, and get things right the first time, by simplifying our processes.

Simplification also figures prominently in our efforts to improve IT service levels. We are using a range of means and approaches, including digital capabilities and shared services, to eliminate unnecessary complexity and give the business what it needs faster, at lower cost, and at higher quality. In concert, we have designed a clearer target state for applications and architecture and are placing much greater emphasis on reusing, decommissioning, and buying rather than building, where possible. Encouragingly, as a result of these various efforts, our service quality is now higher than it has been in three years. So the short answer is, yes, we are a more simplified IT organization—and a more effective one.

Digitization and big data are overriding themes in IT today. How have they changed your role as CIO?

They have changed it in several ways. I think their emergence helped convince the company's board that IT needed a stronger voice in strategic debates. The advent of the two forces has also allowed me to become much more of a thought leader rather than solely a service provider. And I've

been able to evolve the role even further by virtue of my experience in this business. Digitization and big data are ultimately about driving business value, not about IT. I see my role as bridging the two—and my experience in the business realm has proved a key asset.

You've set a goal of transforming Aviva into a digital insurer. How did you start on that journey?

We set out on a campaign to demonstrate the business value of digital to the company. We knew it would be a challenge. It's easy to cite the rise in the use of social media, the number of smartphones sold per year, and so forth, and extrapolate; it is far less easy to demonstrate how these things might actually create opportunity for a 300-year-old insurance company. But we managed to do so. A significant milestone for us was the successful delivery of a number of digital pilots: these ultimately had a 10:1 return on investment, and we delivered them in record time. The wins created a buzz across the company and a belief in the opportunity.

How were you able to capture the imagination of Aviva's business leaders and board, specifically, and inspire them to play their role?

We made a series of presentations at senior-management and board meetings, talking about the vision and illustrating it with real-life examples. But what really seemed to bring the concept to life was our showcasing of the pilots in what was essentially an internal trade fair. We set up a dedicated area in our head office, replete with lots of screens and so forth, that provided a real digital experience in a real digital environment. People could see, feel, and touch the vision and get a concrete sense of what digital could do for Aviva's business. And we contrasted that vision with some of their current experiences.

Who attended the trade fair, and what was the reaction?

Our chairman, most members of the group executive committee, and senior management across a variety of functions and markets all came, as did a number of our partners who stood to benefit from some of the effects of digitization. And I have to say that the reaction was fantastic. In fact, perhaps our one mistake, in hindsight, was that we didn't set up the display as a permanent feature or something we could take to other offices. Regardless, the demonstration, which was now launched 18 months ago, did the trick, winning us the necessary buy-in. All 11 of the pilots got the green light and are now in business-as-usual mode, and we have continued to build on their success and have increased adoption across our markets globally.

As part of the digital initiative, you set up a "digital center of excellence." What is that unit's role, and how does it work with the business units?

Its purpose is to bring together, in one place, our digital thinking and assets. More importantly, it operates as a unit that will both provide strategic thought leadership—you know, what's going on and how is it relevant to us?—and act as a practical center of excellence for driving and reusing digital initiatives. The goal is to build once, reskin to the particular market or markets we're targeting, and then reuse many times.

Where has the value been most visible so far in your push to make Aviva a digital insurer?

There are several places. One is in the area of data and analytics. Being an insurer is about managing risk, and data is our lifeblood, so we were already very good at this. But our digital initiatives have given us an even

deeper, richer understanding of the data, particularly in such areas as fraud and the pricing and selection of risks.

A second area in which we have seen visible benefit is in our efforts to drive growth at lower cost. It's clear that digitization can drive value at the front end in many ways, and we continue to pursue those opportunities. But I think the real value of digitization materializes when you can achieve it end to end across the business. So far, relatively few companies seem to have managed this. But I always point to Amazon as an example of what's possible. Amazon didn't start by tweaking a bookshop—it reimagined the customer experience, using technology to create a wholly different value proposition. I think we have a similar opportunity in our business.

What high-level advice would you give a CIO facing similar challenges in embracing new technologies?

I'd offer four tips, based on my experience. First, continue to focus on val-ue creation, not the technology. That's critical. Second, strive to minimize risk by undertaking proofs of concept, piloting, and testing, and validate projects quickly through that process. If something doesn't work, kill it dead and move on. Third, once you've committed to something, bring it to life. The showcases we staged made a huge difference for us by allowing people to really see and feel the vision in practice. And finally, don't be afraid to lead the business on this. Very often, and quite rightly, technology is there to support the business. But I think that digitization is an area where there's an opportunity for us to demonstrate real leadership and create real value.

What's next for you and Aviva's IT?

We have several things in the works. Among the most noteworthy, we are in the early stages of creating a digital platform that will enable quicker development of our digital ideas, reduce complexity and cost, and allow us to strengthen our capabilities in such areas as advanced customer-data management and analytics. The platform brings together a range of capabilities, including mobile, big data, customer relationship management, content management, and single view of customer, and lays the foundation for a wider ecosystem of digital partnerships and solutions. We are also extending our digital hub into both London and Singapore to allow us to deliver consistent digital capability across our key markets.

More generally, our focus remains on enhancing the customer experience and building digitally enabled products and services, and on delivering excellence consistently. We are also working to develop a more inspiring vision for both Aviva and its customers of precisely what it is we are trying to create with our vision of a digital insurer.

Thanks, Cathryn.

Ralf Dreischmeier is a senior partner and managing director in the London office of The Boston Consulting Group and the global leader of the firm's IT practice. You may contact him by e-mail at dreischmeier.ralf@bcg.com.