

Product Agility Diamond Framework

By Kathy Woodliff

Over the years, insurance companies have underperformed compared to other financial services organizations based on ROE and ROI. In the mid '90's Peter Walker from McKinsey & Company wrote a white paper called *The Journey* that looked at the fundamental drivers of success – the building blocks of operational performance. During the past ten to fifteen years, companies have focused on many of these fundamental drives. Much of the focus has been on transactional excellence in underwriting and claims and financial discipline around geographic and product market management and capital management. What's interesting is that even though product management is a fundamental driver of success most of the work has been focused on the back-end to change the mix of products and geography based on profitability. In addition, some investments have been made in rating engines to improve pricing sophistication. Certainly the front runners of this investment have been in the personal lines arena.

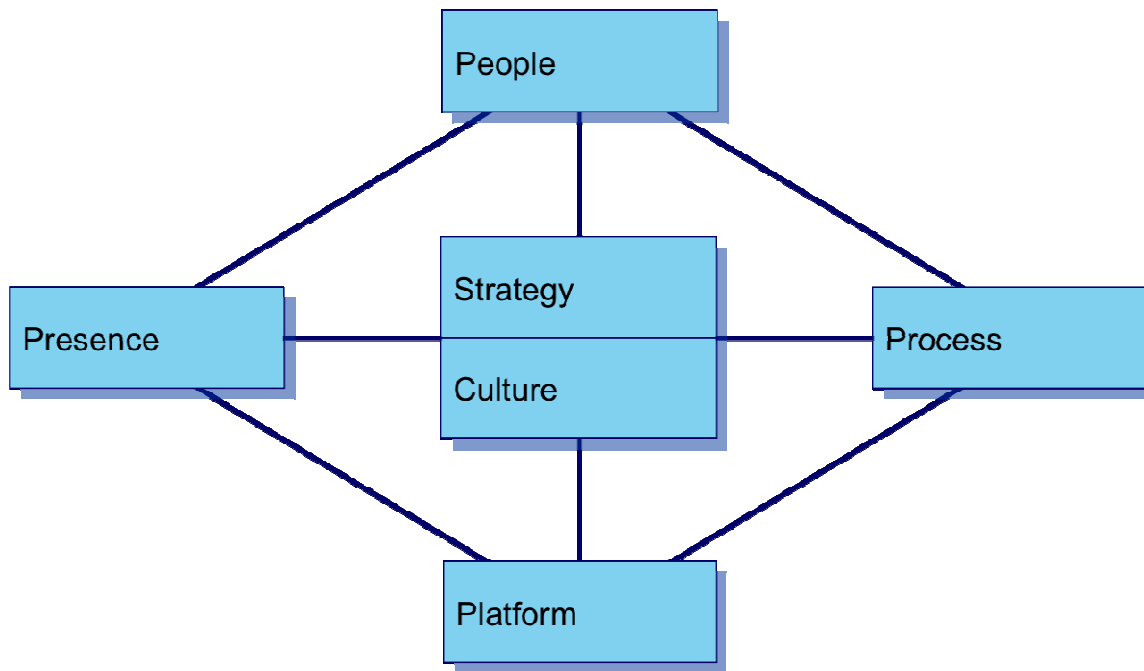
Given that product management is fundamental driver of success, why is it that companies have been slow to invest?

Many companies realized that they needed to shore up their crumbling foundations; the rules of the game had changed and operating profit began to take on more importance. Companies began to invest in underwriting, claims, market management and capital management. The benefits from these investments were fairly easy to quantify.

Product Management was more amorphous. It was harder to determine what types of changes would drive improved performance. It was more difficult to determine how the changes could be measured. And, perhaps more importantly, it was hard to determine how to effect key changes within an organization where individuals who had some responsibility for product management were distributed in different areas of the company with varying roles and responsibilities.

The volatility experienced in our economic environment over the past 18 months is probably here to stay, although its form may change. What this means, is that businesses need to be more agile and resilient. As we begin a new decade, the winners in the insurance industry will not only need enterprise agility, but also product agility to address the new reality of a rapidly changing environment. C.K. Prahalad said that, "the winners won't stop focusing on quality, cost and efficiency, but they'll be paying a lot more attention to agility."

The Product Agility Diamond is similar to an enterprise or business agility approach, in that each has core components that are integrated and concurrently managed for successful operational transformation.



The first component is **Strategy**. A clear, visible new product strategy must have a strong link with the business strategy.

The second component is **Culture**. It is critical that there be management commitment, support and empowerment.

Then we need the four P's:

People. There must be a clear owner who has governance responsibilities.

Process. There must be a high-quality and effective process that includes third generation stage gates, which means that the gates need to be flexible and run in parallel when it makes sense.

Platform. To enable mass customization the technology platform needs to be flexible and allow for configuring products through externalizing rules.

Presence. There needs to be a close integration with marketing in the development of the “Go to Market Strategy” and determination of how the product will be launched.

The next article will provide additional details around the Product Agility Diamond and how it adds value to the organization. In the interim, if you would like to discuss this further, feel free to contact Kathy at 1.800.813.2155 or kathy@woodliffglobal.com.

Kathy founded Woodliff Global in 2009 to focus on Product Management Consulting in the Services Sector with an initial focus on Insurance Companies. She works with companies to diagnose how customer needs are identified and how to design, develop and deliver products to meet those needs. She has a proven track record of success in launching new initiatives and taking a consultative approach when working with different business units within a company.