

# All for 'One': Turning vision into value



Many insurers have or are about to establish 'One company' initiatives as they seek to create a unified corporate vision capable of taking their businesses to the next level. However, the anticipated transformation and boost in share values can often fail to materialise. Drawing on the findings of a new PricewaterhouseCoopers study,<sup>1</sup> David Jessup looks at why some 'One' programmes work and others don't.

Do we have the right business model to sustain profitability? Is our organisation sufficiently agile, efficient and customer focused to compete effectively? Many insurers are looking to 'One company' programmes to create the strategic cohesion and shared sense of purpose needed to address these questions and deliver transformational change.

'One' initiatives seek to align different parts of the organisation around a single unifying vision. Prominent examples include 'One Aviva' and the 'Zurich Way', though the model can apply to any complex organisation rather than just multinationals (Figure 1 outlines the potential benefits of 'One' initiatives).

'The interests of our customers and shareholders are best served by our business acting as one group.'

Andrew Moss, CEO, Aviva, from Group Interim Report 2007

## Cutting the Gordian knot

By promoting greater consistency and organisational collaboration, 'One' initiatives can be especially useful in overcoming the legacy issues that hamper so many insurers. Almost all of today's groups have been formed from a succession of mergers and acquisitions, creating an accumulation of often incompatible systems and processes, along with a profusion of local subsidiaries, each with their own distinct cultures and ways of working. These problems are compounded by the long-term duration of life policies and many non-life liabilities, which force insurers to deal with a mishmash of brands and contracts stretching back decades.

As firms seek to address these issues, the 'One' approach can provide a common framework around which they can manage diverse stakeholder groups. For example, a large European insurer has used its 'One' programme as the catalyst for creating a consistent brand identity for its customers and an integrated global accounting platform for its finance function. In turn, human resources used the 'One' programme as an opportunity to harmonise employment terms and performance management across its global operations, which has made it much easier to move staff around the organisation. Investor relations has been able to bring these related developments together to help convey the strategic intent and cohesion within the company.



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Another group was concerned that its asset management division was putting the needs of external clients before the internal 'customers' in its life insurance arm, even though this was having a detrimental effect on the latter's policyholders. The company has therefore sought to create a consistent customer experience, which encourages staff to put themselves in the shoes of the end user, be they internal or external.

<sup>1</sup> 'The meaning of 'One': The value of a unified vision', published in March 2010 – [www.pwc.co.uk/fs](http://www.pwc.co.uk/fs)

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However, other 'One' programmes have been less successful. A case in point was a large company that tried to create a common operating platform for its retail and investment business. While some aspects of the marriage worked, the initiative ultimately fell apart because of the inherent differences in the complexity and customer needs of the two divisions.

**Figure 1: Potential benefits of 'One' initiatives**

<b>Revenue growth</b>	<ul style="list-style-type: none"> <li>• Gaining access to new markets and customers</li> <li>• Increasing client referrals between business units</li> <li>• Improving product bundling and transferring product between business units</li> <li>• Accelerating product development and roll-out</li> <li>• Strengthening pricing discipline across the organisation</li> <li>• Enhancing customer service and relationship management</li> </ul>
<b>Cost control</b>	<ul style="list-style-type: none"> <li>• De-duplicating administrative tasks</li> <li>• Achieving economies of scale</li> <li>• Standardising products and processes</li> <li>• Simplifying legal and corporate structures</li> <li>• Setting up regional or global IT and infrastructure platforms</li> <li>• Developing shared service centres</li> </ul>
<b>Organisational responsiveness and flexibility</b>	<ul style="list-style-type: none"> <li>• Strengthening central management and monitoring of all activities</li> <li>• Enhancing decision-making by improving management information</li> <li>• Speeding up the transfer of best practices</li> <li>• Improving the ability to respond to unexpected crises</li> <li>• Making the integration of acquired businesses more straightforward</li> </ul>
<b>Talent management</b>	<ul style="list-style-type: none"> <li>• Improving the impact of talent allocation</li> <li>• Harnessing ideas, innovation and expertise more effectively</li> <li>• Reinforcing best practices through co-ordinated training</li> <li>• Standardising review and reward systems across the company</li> <li>• Aligning staff objectives with group-level targets</li> </ul>
<b>Capital management</b>	<ul style="list-style-type: none"> <li>• Improving the efficiency of capital raising and return</li> <li>• Achieving more effective capital allocation and management</li> <li>• Strengthening working capital and liquidity management</li> <li>• Enhancing external perceptions of transparency and creditworthiness</li> </ul>
<b>Risk management</b>	<ul style="list-style-type: none"> <li>• Strengthening central control, oversight and accountability</li> <li>• Improving resilience in time of crisis, through greater simplicity and transparency</li> <li>• Allocating risk management responsibilities more clearly</li> <li>• Developing an enterprise-wide view of credit, market, country and other risks</li> <li>• Reducing operational risk by simplifying infrastructure</li> </ul>
<b>Branding and cultural factors</b>	<ul style="list-style-type: none"> <li>• Developing stronger, more unified branding</li> <li>• Aiding the recruitment and retention of customers and staff</li> <li>• Fostering a group-wide culture</li> <li>• Gaining the maximum leverage from marketing initiatives</li> <li>• Improving external perceptions of size, stability and permanence</li> </ul>

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### Making One work

Drawing on analysis of a range of different 'One' programmes from across the financial services industry, a newly published PricewaterhouseCoopers report has identified a number of common attributes that mark out the most successful initiatives. Taken together, these themes can provide a firm foundation for lasting change (see Figure 2):

#### Scope and drivers: What are we doing and why?

Set clear priorities based on a rigorous assessment of the benefits, whether they are achievable and whether the contribution to business objectives justifies the necessary investment. Don't let the initiative be compromised by a whole series of extraneous 'pet projects'.

#### Leadership: Bringing the vision to life

Good leaders are able to create and convey a bold and coherent vision capable of engaging the organisation. They also lead by example, embodying change rather than just demanding it.

#### Communication: Promise the right things and deliver

Win hearts and minds and allay any unfounded concerns. Explain to customers how the initiative should result in better service. Explain to staff how the initiative will affect their roles and responsibilities. Market communications are especially critical in translating progress into shareholder value.

**Figure 2: The foundation of successful change**



#### Supporting change: Execution is critical

Develop a clear and realistic action plan. Take the time to identify the most useful set of metrics for gauging progress. Back this up with staff incentives where appropriate.

#### Dealing with IT: Don't put the cart before the horse

While upgrading and integrating systems may be a key element of the 'One' programme, strategic transformation goes beyond technology. Assess what the business needs, and gear systems developments to achieving this rather than allowing IT to dominate the agenda.

#### Driving it through the business: Getting processes right

Quick wins can be achieved by harmonising processes within particular operations, before moving on to more demanding group-wide initiatives such as the possible development of shared services.

#### The acid test

While the rationale for 'One' programmes naturally goes beyond meeting analyst expectations, their reaction will largely determine the impact on share prices. As equity values are, in turn, a key determinant of executive bonuses, a lift can help to secure their buy-in and sustain the momentum of the initiative in other

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parts of the organisation. Drawing on a range of analyst reports and subsequent share price movements, we have identified the key factors that influence market reaction and how firms can gear their 'One' initiatives and associated market communications to achieving the best possible boost for shareholder value.

Our study underlines the importance of clear presentation which emphasises quantifiable operational benefits such as synergy savings. Commenting on a particular bank's 'One' programme, an analyst said: 'Should the [One] strategy be successful there could be a substantial re-rating of the share price.' Where clarity and detail are absent, the result could be in line with this comment from an analyst in 2005: 'It is not clear whether there is sufficient detail behind these numbers to give enough confidence to drive estimate upgrades.'<sup>2</sup>

Reductions in costs can be achieved relatively quickly, are easy to demonstrate and can provide an immediate share value boost. Commenting on an investment bank, an analyst said: '[The CFO] proposed that the [One] cost saving initiative was one year ahead of schedule... We believe these early gains are some of the more positive announcements at the event.'<sup>2</sup>

In contrast, revenue forecasts are often treated with scepticism, especially as it can be difficult to determine subsequently whether they are the result of the 'One' initiative or some other factor. Similarly, qualitative benefits are often too intangible to win over the investment community. An analyst comment on an insurance company is telling: 'The presentation was entirely qualitative and there

wasn't too much for analysts and investors to get their teeth into, in our view.'<sup>2</sup>

To help sustain momentum and analyst interest it is important to set out a clear timeline of milestones and follow up with fresh announcements as targets are met. Trying to achieve a quick win for presentational purposes can be risky and could lead to a downward rating if the firm fails to deliver. It is better to be realistic than over-ambitious.

Ultimately, the presentation of 'One' programmes works best when they form part of an ongoing story. Otherwise, companies risk a subsequent fall back in market sentiment and share values. This analyst comment highlights the challenge: 'We think that over the past three years management has delivered an exceptional turnaround...It leaves them the difficult task of presenting another new trick to the market for upgrades to be forthcoming.'<sup>2</sup>

### Eye on the prize

'One' initiatives can deliver a wide range of strategic and operational benefits and have the potential to unlock considerable value for shareholders. For insurers, in particular, they are an opportunity to cut through complexity and create a more streamlined, agile and efficient enterprise. However, they are no panacea. Insurers that have gained most from such exercises have set out a clear vision of what they want to achieve, the tangible benefits stakeholders should expect and the benchmarks against which progress can be measured.

'In following our strategic objectives, we are supported by the Zurich Way, which is designed to create common methodologies, metrics and toolboxes for the core processes within our group. It transforms the way we do business every day and helps us to provide better services to customers in a consistent and recognisably 'one Zurich' way.'

Zurich Annual Report 2007

<sup>2</sup> 'The meaning of 'One': The value of a unified vision', published in March 2010 – [www.pwc.co.uk/fs](http://www.pwc.co.uk/fs)