

Reinsurance Group of America and Fonterra: Going for Unified Global Operations

The reinsurance industry isn't for the faint of heart. The business processes that enable reinsurance firms to form agreements with other insurance companies to accept all or part of their risk can get mighty complex, mighty quickly.

Now imagine developing a single system that manages reinsurance business processes for numerous offices around the world—offices whose staffs speak different languages, are in different time zones, and just might be stuck in their ways as to how they manage their business. It's a challenge that could overwhelm you if you tried to tackle it all at once instead of breaking it into small pieces.

When workers in the global software group at Reinsurance Group of America Inc. (RGA) in Chesterfield, Missouri, first took on this mammoth project, they would have been the first to tell you they were unprepared for the obstacles that lay ahead.

"This whole system required so much communication and teamwork, and I'm not sure we understood at first what we needed to contribute to make it a success," says Mike Ring, project manager at RGA. Yet by engaging the business and adapting its own practices to the demands of the situation, the group is successfully rolling out an integrated, multicurrency, multilingual life reinsurance administration system, dubbed CybeRe, for its international division.

Before CybeRe, workers in RGA's global offices mainly relied on a mix of spreadsheets and databases to manage client. Now, with information stored in one location, workers can analyze data by client, contract, and product and find client errors more easily. "People can stop worrying about, 'If I sell this business, how am I going to manage it?'" says Azam Mirza, vice president of global software and head of the CybeRe effort.

The system also strengthens data validation and data quality, Ring adds, which will enable better risk analysis and retention analysis, resulting in better profitability. Ultimately, return on investment will reach more than 15 percent, "which compares very favorably to the average ROI for RGAs products," Mirza says.

15 percent," Mirza says. When the project began six years ago, IT began to gather business requirements from the global offices, planning to emerge a couple of years later with a full-blown system. By late 2001, however, it became apparent that a phased approach was more practical. "The different units all do things slightly differently, and getting everyone to agree became very contentious," explains Kam Chan, chief architect of CybeRe. So the group embarked on a plan to build a pilot system in one office (South Africa) and gradually implement it in the remaining ones, with a few customizations as possible.

It wasn't always smooth sailing. For one thing, converting all the historical data and loading it into the CybeRe system

required a significant data cleansing and migration effort. Other factors, such as differences in the terminologies used in various offices, also caused delays. For example, while it gathered requirements, IT asked whether the South African office used compound benefits. Although it said it did not, it turned out that the office just used a different term: acceleration of benefits.

"The change in scope delayed us four or five months," Mirza says. Probably the biggest challenge—which continues today—is getting people to accept common practices as defined by the system. "That's where we're the bad guys," Mirza says. "If they really need it, they have to prove it. We challenge everything. We don't want to create a product that's convoluted because it tries to be everything to everybody."

Despite the local customizations, RGA still maintains just one version of CybeRe. Local units can just "turn on" the options or customizations that are relevant to their businesses. "Not maintaining 13 different versions is very important," Mirza says. "It's critical to our success."

"Given the life reinsurance market's consolidation of recent years, CybeRe should provide RGA with an important competitive weapon. RGA aims to reinvent reinsurance; that is an ambitious goal. CybeRe is an important step along the way."

Greg James is chief information officer and general manager of global business processes at Fonterra. It is a unique role, instrumental in ensuring that the only silos at the dairy group are of the giant stainless steel variety. James was on sabbatical following a year-long assignment in Europe with what he describes as a "small business initiative" called Jedi. The call came from an executive of Fonterra, which had just been formed, and the job was director of the dairy groups' biggest business transformation program to date.

Jedi, which was rolled out in 2.5 years, entailed moving Fonterra's commodity business to a common ERP platform and "a single global way of doing things," James says the Jedi program aimed to look at the supply chain of the dairy giant "from cow to manufacturing to storage to happy customers." The change involved was massive, for Fonterra's supply chain covers four million cows that produce 20 billion liters of milk each year. It has offices in 70 countries and employs nearly 19,000 staff. Fonterra, says James, would be recognized as New Zealand's largest company if it were listed in the Stock Exchange. In order to implement the new environment, "We had to reinvent ourselves; analyze every part of the business, all processes, all organizational structure," says James.

In effect, the Jedi program dismantled traditional silos in the organization and standardized global processes. "It has enabled us to effectively bring all components that previously existed in each group, in other business units, bring them all together and get commonality in terms of the way



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