



Cost Cutting: What You Don't Know *Will* Hurt You

It's been in the headlines for months now—companies in general and financial service providers in particular have moved almost overnight from surplus assets to survival mode. And while insurers are arguably better off than other financial sectors, the industry certainly has not been immune to the financial meltdown.

Cost control is certainly a priority for all companies, but most industry observers say this time is different. Many insurers have been delaying strategic investments in lieu of tactical fixes. There is pressure to catch up to meet both consumer and distributor service demands. On the IT side, key obstacles include long-postponed system simplification projects, policy block conversions and retirement of legacy systems.

For well-capitalized companies, crisis is opportunity. CSC works with a wide range of carriers, and we see companies aggressively pursuing strategies of investment, growth and acquisition—looking at new markets, pursuing new channels and products in addition to investing in core systems improvements. Your competitors are forging ahead, at your expense. Failing to understand their actions will put you at great disadvantage.

So, if your priority is expense control and you're not going to outspend your competitors, you need to outmaneuver them. But how can you sensibly control expense now and stay on track with your long-term goals? Like any journey, this trip requires a good roadmap.

First, get advice from the experts. The experts at CSC specialize in strategic roadmaps to support business and technology change. Here are techniques they recommend:

1. **Lose your internal biases.** Collect the unvarnished facts about your organization's current performance. That's hard to do with an internal team alone because everyone has a bias, and those biases typically alter your view of your internal situation and your understanding of your competitors. However, a detailed, unbiased look at where you are is critical.
2. **Look both outward and inward.** You need to clearly understand your business goals and what your competitors are doing. What are the gaps between what you are doing now and industry best practices? What are those gaps costing you now? Is it strategically important to close them?
3. **Change the model.** IT often sees technology as the primary enabler of change but often considers the traditional model of buy or build and maintain internally as the only answer. You may be surprised to learn that costs saved from outsourcing only the maintenance of your legacy applications can actually fund an aggressive IT modernization agenda—and allow executives to focus on strategic priorities versus fighting day-to-day fires.
4. **Take a holistic view.** The major flaw in many planning cycles is that they are department-based, bringing requirements to IT that center on department but not enterprise goals. Long-range plans focus on improving entire, end-to-end business processes. Often, this happens in a series of small steps, but with the right plan, everything will come together to generate significant results.

Most carriers can see where they would like to be. An enterprise roadmap will show you how to get there. And if you need an experienced third party who understands the competitive terrain and the approaches that will actually produce results, contact CSC.



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