

Federated IT — Balancing Local and Enterprise Needs

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Theme

Federated IT is a barrier to
the direction of today's
insurers.

Agenda

- Drivers and enablers
- The problem of federated IT in insurance
- Drill down into key areas
- The future

A few stats on insurance vs. other industries

Relative Highs	Reporting level of CIOs Custom technologies Architecture Spending on new investments and maintenance
Relative Lows	Reducing IT costs (but overall high) R&D in new tech Deploying new packages

And some on large IT shops

- Are more decentralized – particularly insurers
- Report higher
- Spend less on new investments as a percentage
- Consolidate vendor management
- Structure application groups the same, but fund differently
- Are more “sophisticated” with HR practices

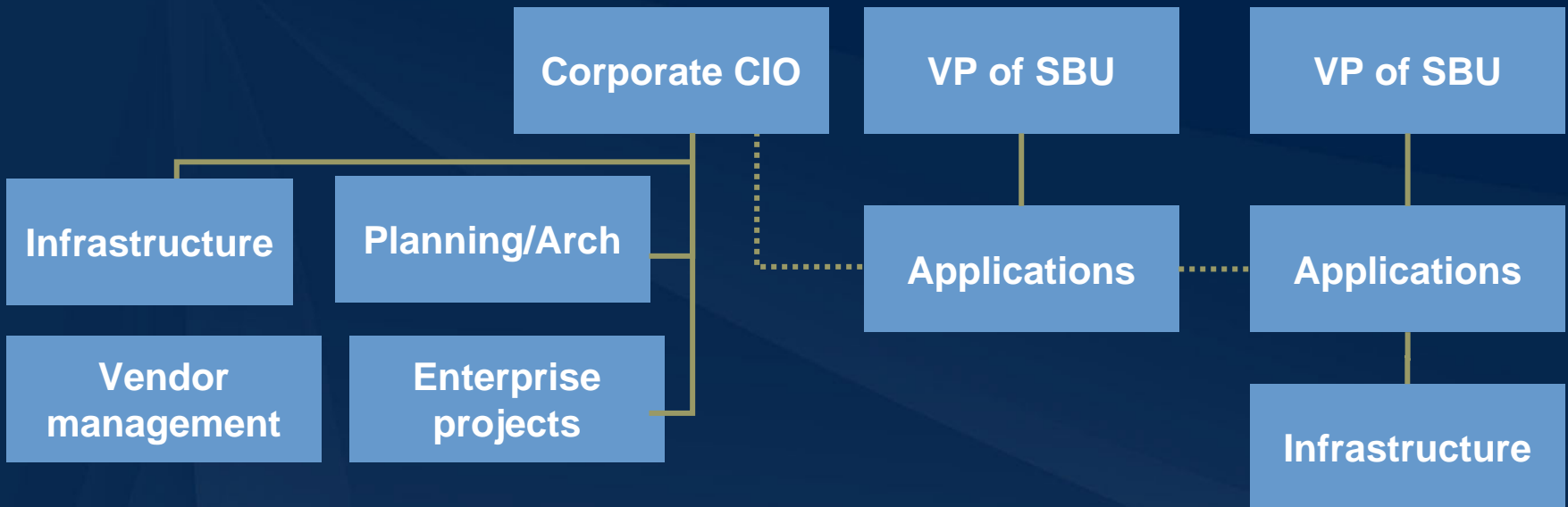
What's driving large insurance IT organizations?

Increasing
long-term
importance



- “Corporate” groups
- Enterprise packages and projects
- Cost
- Process-oriented standards (e.g., ITIL, ACORD, COBIT)
- Services offerings
- SOA and web services

Federated IT has benefits, but also creates silos



So why are silo's a problem?

- Decision making is fragmented
- Managing vendors (esp offshore) is artistry.
- Initiatives that cross business units are difficult.

Corporate, architecture, and other groups are attempting to overcome these barriers

Corporate IT is increasing in influence

- Small collection of functions to produce synergy across business units
- Sometimes includes enterprise project groups.
- It is gaining in strength – particularly in security, procurement, and compliance

What is the “style” of corporate functions?



Planning and Architecture in federated IT

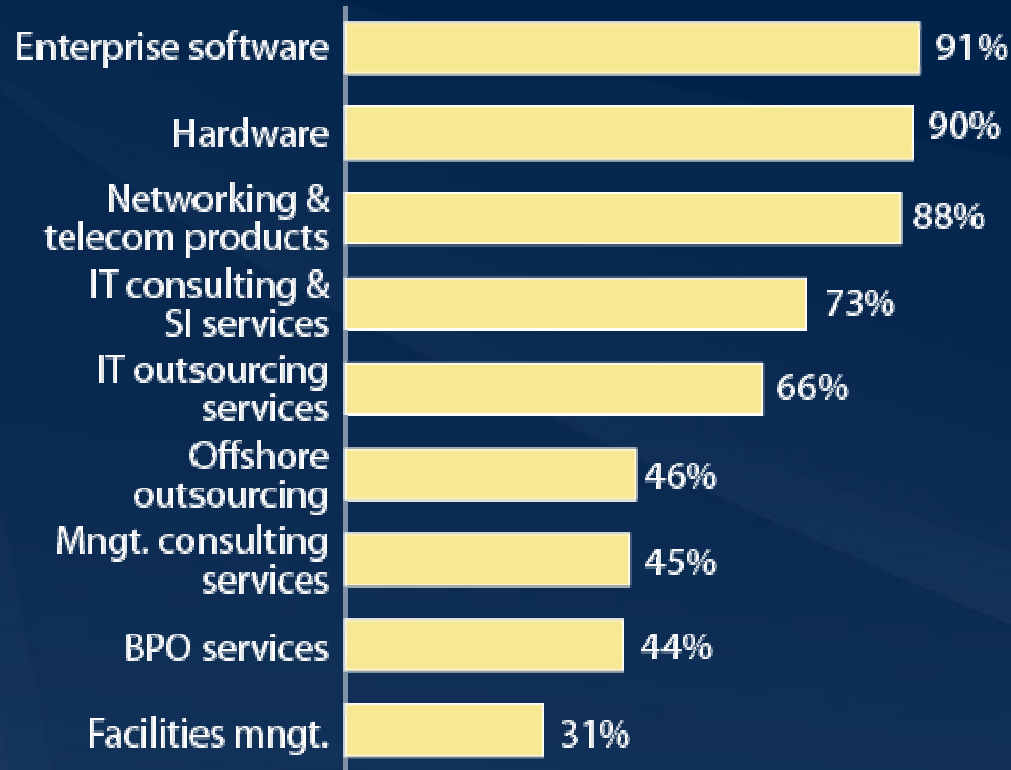
- Corporate is highly facilitative but with ownership of enterprise architecture and plan.
- Reinforced by CTO-CIO networks.
- Moving from information provider (metrics, dashboards, BPs) to consultant.

Enterprise projects

- Used for Policy Administration, Claims, Billing and other “enterprise” projects.
- Have moved from coordinating to controlling.
- Characterized commonly by business ownership and IT execution.

Vendor management group responsibilities

“Which of the following vendor relationships does this group manage?”



Base: 292 senior-most IT decision-makers, or vendor decision-makers at NA enterprises with a vendor management group

Vendor management is increasingly top down

- VM provides information, structure and consulting.
- VM provides oversight for most contracts and management for key ones.
- Reducing costs and risk are primary justifications.
- Financial services extends these groups to facilitating business partnerships.

Apps groups are largely distributed

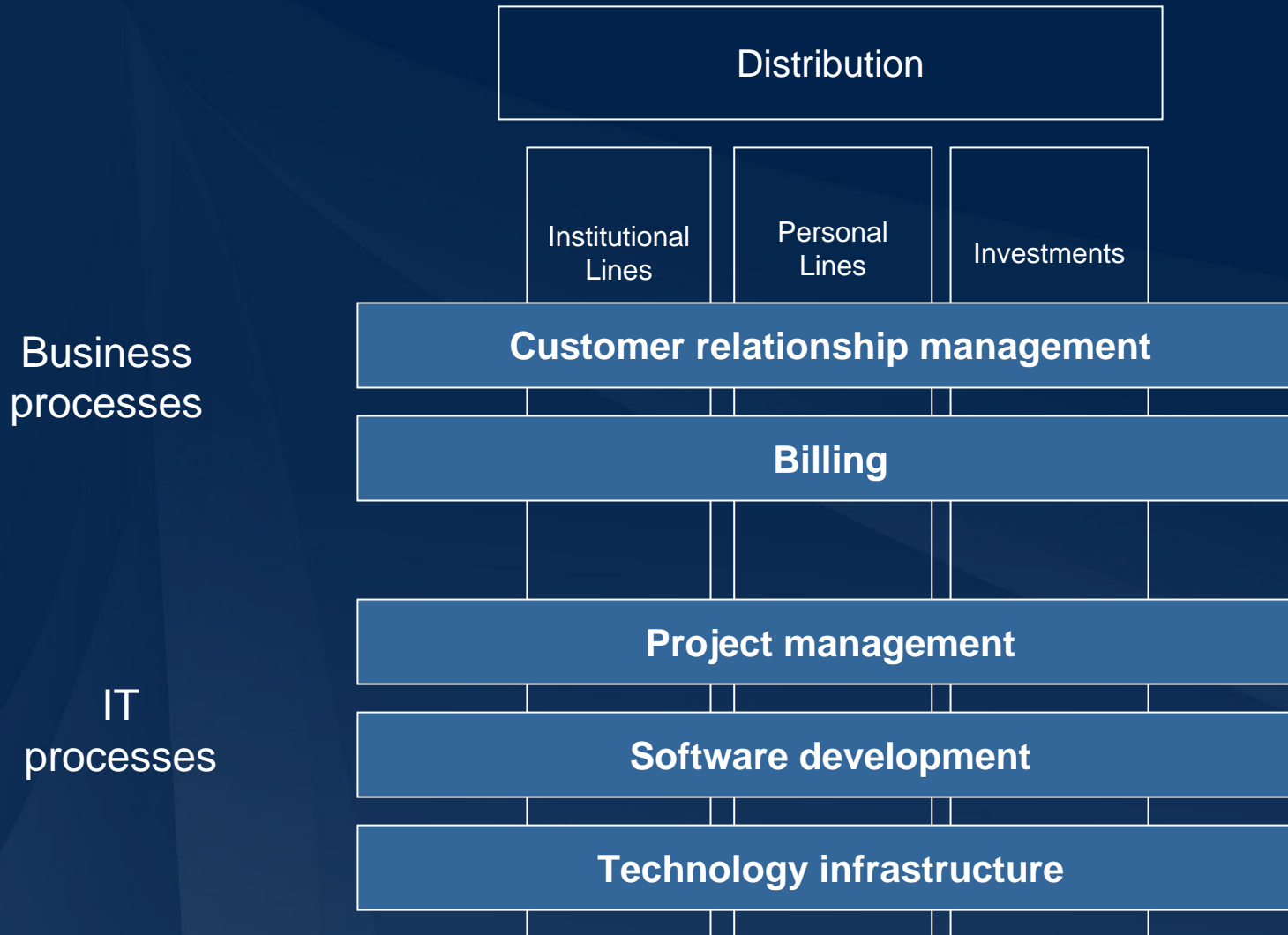
- Apps are largely funded and controlled by business units.
- Maintenance and development performed by same people.
- Some interesting experiments – internal consulting and apps within infrastructure.
- When fragmented, limited opportunity for outsourcing.

The future

What could change things

- Web services will eventually de-couple the insurance value chain.
- Services vendors could commoditize non-differentiators.
- ACORD process models supported by vendors may standardize processes across the enterprise.

Increasingly more processes will be standard



Final words

- Some insurer will overcome federated limitations through enterprise projects and strategic functions.
- Looooong term, reusable business services will form process based organizations.
- Corporate functions will primarily facilitate (with some exceptions).

Thank you

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Corporate functions and ownership

Function	Corporate	BUs
Architecture	Create, approve, track, facilitate & consult	Contribute, approve, & track BU projects
IT Plan	Facilitate, provide structure, track projects, provide information, train, consult	Coordinate local investment, contribute & create/track BU version
Program Office	Execute cross-BU projects	Contribute to projects
Project office	Select tools, & methodology, document, consult, monitor key performance measures	Contribute to development of standards & identify variations
Relationship Management	Interface with external and internal partners	Planning & resource management and serve as information broker
Research	Fund, provide structure, facilitate & consult	Provide funding, facilities & people along with contributions
Vendor Management	Identify/negotiate global vendors, provide structure, guidance & coaching, track all contracts	Identify exceptions, negotiate contracts, and oversee LoB purchases, RFP development & selection