

BUYER CASE STUDY

Life Insurer Uses Pegasystems for Call Center Transformation

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IDC OPINION

Methodologies are an important element of the business process management (BPM) landscape. In some BPM implementations, the product alone imposes a level of structure on business processes and a level of visibility that may never have existed within the organization. In this Buyer Case Study, however, business and software development methodologies were implemented nearly simultaneously in connection with a corporate IT transformation. Key elements to the transformation included:

- ☒ The life insurance company in this Buyer Case Study needed to upgrade its call center information systems, built internally and dependent on a variety of legacy systems to service customers and agents. The company built a highly structured, deliberate, and collaborative approach to its call center modernization using coaches, significant training, and good involvement from the vendor.
- ☒ A key requirement of the solution was that it had to work well with the insurance industry's ACORD messaging standards. Competing with two packaged applications, Pegasystems was the only vendor with ACORD experience and capabilities out of all those that the insurance company examined.
- ☒ Pegasystems' SmartBPM enabled the insurance company to employ very structured business and IT methodologies to achieve significant results. For development, the insurance company adopted the agile Scrum methodology and Pegasystems consultants partnered with the insurance company to achieve the necessary training.
- ☒ The insurance company's modernization methodologies were challenging for its employees, but as the team became more comfortable with the methodology, their initial successes caused the insurance company's line of business to require an accelerated delivery timeline.
- ☒ By fourth quarter 2010, training for call center reps went from a nine-week program to two half-day sessions, representing a significant cost reduction in training as well as a faster time to competency. A loan process that formerly took 3 minutes is now completed in 15 seconds.

IN THIS BUYER CASE STUDY

This IDC Buyer Case Study looks at how a Massachusetts-based life insurer selected Pegasystems' SmartBPM to replace legacy infrastructure in its call center. The Buyer Case Study details the insurer's decision to adopt a business process management (BPM) solution, its requirements, the vendor selection process, deployment, results, and lessons learned.

SITUATION OVERVIEW

In the midst of a major IT overhaul aimed at consolidating legacy systems and eventually decommissioning them, the insurance company wanted to improve customer experience at its call center and help its 200 call center agents find the information they needed more quickly. The insurer decided to adopt a business process management platform as its call center solution. That solution had to conform to the insurance company's business and IT strategies at a time when both were in the midst of major transformations.

Table 1 provides a summary of issues and factors that led to the insurance company's decision to purchase Pegasystems' SmartBPM Suite.

TABLE 1

Buyer Case Study Capsule

Category	Details
Vendor/product	Pegasystems SmartBPM Suite
User organization	Northeast United States–based provider of life insurance and annuities
Vertical	Insurance
Size	Large enterprise
Purchase trigger/need	Call center modernization
Key tech requirements	Process-oriented software compatible with SOA and the ACORD insurance industry messaging standard
Short list	Pegasystems, Chordiant, Siebel
Key win factors	ACORD compatibility, extensive process-based functionality compatible with Lean Six Sigma methodology
Decision cycle time	Five months
Implementation time	One year to deployment to all call center reps, additional functionality under development

Source: IDC, December 2010

Organization Overview

The insurer, specializing in life insurance policies and annuities, reported more than \$400 billion in assets under management and employs more than 11,000 people worldwide. For this Buyer Case Study, which is published anonymously upon request of the organization, we interviewed the project team leads consisting of an assistant vice president (AVP) and an internal IT architect.

Challenges and Solution

The insurer primarily services life insurance policies and annuities. The IT infrastructure in the company's customer support call center was legacy heavy and balkanized. The group primarily services life policies, some annuities, and some disability income policies and required the company's 200 service representatives to have a substantial amount of experience on hand to operate effectively. Call center representatives had to shift through an average of 10 and as many as 17 screens to process one service call.

Daily operations relied heavily on the internal knowledge of experienced employees, which was a liability when there was employee turnover. New call center representatives had to go through a nine-week training process to become proficient in the legacy system.

The company wanted to replace an inquiry system, which contained all of the information necessary for a range of call types — from general inquiry to billing history. The majority of this system had been developed in-house in Visual Basic with some COBOL components. In addition, once representatives found necessary information via the inquiry application, they had to shift to any one of a multitude of administrative systems to escalate the transaction.

The business side of the organization wanted to perform an end-to-end review of the customer servicing environment and brought in IBM to help develop a customer experience servicing strategy. In 2008, one of the recommendations was to use a BPM product to develop an end-to-end customer servicing application.

Key Requirements: Systems Compatibility, Business Process Focus, and ACORD Messaging Standard

In addition to the BPM direction established through the recommendation of IBM, the insurance company had other requirements.

One was compatibility with the Lean Six Sigma business management strategy. The business unit that ran the call center was focused on the Lean Six Sigma methodology at the time and wanted a process management tool that would be compatible with that approach.

Another requirement was that the software had to work with the ACORD insurance industry messaging standard. About a year and a half to two years prior to the beginning of the selection process, the insurance company began an enterprise SOA initiative. In doing so, it settled on ACORD as its messaging standard.

Selection

The insurance company's selection team looked at three vendors: Pegasystems, Chordiant (acquired by Pegasystems in April 2010), and Oracle Siebel. One of the call center's top internal clients found Chordiant at a convention. The insurance company had already implemented Siebel in its retirement services unit. And Pegasystems was put into the mix because of strong industry reviews.

The team eliminated Siebel because its tool did not have robust business process capabilities beyond CRM. Siebel required implementation out of the box with little room for customization and did not include a business rules engine. Siebel failed to meet the business side's requirements with regard to Lean Six Sigma compatibility.

The selection team focused on evaluating Chordiant's and Pegasystems' products. The insurance company's internal client base was strongly in favor of adopting the Chordiant product. However, the selection team found it deficient in several respects. "It had a very strong UI and a lot of flash, but underneath the covers, it didn't do everything that Pegasystems did," said the IT architect.

In particular, Pegasystems had adapted its insurance framework to the ACORD messaging standard, making it easy to work with ACORD Web services. Neither Siebel nor Chordiant supported ACORD.

The selection team had Pegasystems build a proof of concept (POC) before signing a contract. The POC focused on externalizing business processes into enterprise Web services. "We didn't want to just do a review and sign a contract. We wanted to do a review, kick the tires, and really make sure that this was a company that we were going to grow with," said the IT architect.

The team decided to purchase Pegasystems' solution in mid-2008. "It was compatible from a systems perspective, it was business process based, and it was focused on the ACORD standard," said the AVP.

Implementation

The insurer spent the rest of 2008 putting together and ramping up its implementation team. The organization adopted the agile Scrum development methodology. The internal development team consisted of 13 full-time employees, including architects, business analysts, a database administrator, and business subject matter experts. In addition, the company brought in two Pegasystems consultants as developers.

After the entire team, including the consultants from Pegasystems, completed Scrum training, the initial project kicked off in January 2009. Over the course of the following three months, the team operated in two-week cycles, or sprints, delivering an additional piece of the project every two weeks. The team defined the functionality they wanted to deliver as well as the required infrastructural tasks, from operational methodology to Web engineering. The team also tracked its overall productivity over these two-week periods to set productivity benchmarks to measure its improvement over time.

The first transaction ran through the new application in April 2009. This initial project was a simple security verification process necessary to initiate the start interaction procedure at the beginning of a service call. "That first release was very much a learning opportunity. The team did very well as far as their ability to learn Pegasystems and get out Pegasystems' functionality, albeit very simple functionality, given how much learning the team had to do," said the AVP.

Part of the initial project was laying out a road map for future development. The AVP said:

The business people tried to stay ahead of both the business analysts and the developers as far as what functionality they wanted and what features they wanted to get onto the system. They tried to stay a spring ahead and then turned those requirements over to the business analysts and developers to actually develop the functionality. So, we operated as a single team: testers, business folks, BAs, and developers.

Results

The team continued to develop and deliver functionality using Pegasystems' BPM solution, releasing phases of the project on a quarterly basis. In January 2010, they delivered a segment of base loan functionality to a small group of users designated as the "user experience" team for feedback.

In addition, the development team continued to grow. After the initial release in April 2010, the team gained members and split into several different teams that operated independently with periodic, collaborative planning meetings.

As of November 2010, there were four features teams, one infrastructure team, an SOA services team, and a self-service team at the insurance company. "We do everything with SOA services. There is no point to point whatsoever in the system, so we have a team that has a lot of expertise in the data that does all the SOA services," said the AVP, "We do a lot of team planning together, but we try to let the teams operate independently to build features."

All of the teams still operate according to the agile Scrum methodology. Periodically, the AVP brings in a Scrum coach. She notes that it was a substantial challenge to acculturate the teams to the new methodology. Typically at the insurance company, a project manager builds a plan and manages team members accordingly. Under Scrum, the planning process is collaborative and iterative. Each team has a facilitating "ScrumMaster"; however, each team member decides what he or she is going to work on and how extensive a presence to contribute for each sprint. "It's very self-managed and we needed coaching. If you're going to go agile Scrum with a new technology, you've got to get some help," said the AVP.

Incremental Progress and Acceleration

The insurance company teams have completed five major processes to cover the top 5 administrative systems involved in the company's life insurance and annuities products. Each of these processes contains subprocesses that match and replace the functionality of the legacy system components.

Using one of the insurance company's legacy environments to retrieve loan quote information, customer service representatives (CSRs) would have to go through 10–17 screens. With the new system, they access everything on one screen.

The AVP decided to sign a conservative initial license and planned to go live fully with the platform in first quarter 2011. However, the insurance company's business executives have since mandated an acceleration of the development life cycle. After receiving generally positive feedback from the user experience team, business executives wanted all the 200 call center associates live on the platform by December 2010.

With this mandate in mind, the AVP's teams trained all of the call center representatives on the new platform and phased in the application. In October 2010, it was provided to 75 users. Once the number of Pegasystems servers were scaled, the application was deployed to all 200 call center representatives in November 2010.

The development team continues to add functionality to the platform on an incremental basis. A September release rolled out functionality that allowed representatives to conduct approximately 25% of calls received via the Pegasystems application. By the end of 2010, the team planned to increase this percentage to 50%.

All callers are authenticated in Pegasystems, but if the call involves a transaction that hasn't yet been migrated to the new application platform, the call center rep has to go to the legacy system.

The Pegasystems implementation is part of an ongoing, larger modernization initiative to consolidate all of the insurance company's administrative systems. The IT architect said:

One of the key components was to get to a platform where we could develop the types of products that our agents were looking for, and we were able to do that very successfully. We were able to get that platform up and it's really shone in the market with regard to our growth.

Benefits

Even though the insurance company has yet to put Pegasystems' BPM solution fully into production, call center representatives are enthusiastic about the new system. Many activities that once required screen switching and numerous keystrokes now require only one. The insurance company has realized several other benefits from its investment in Pegasystems — reduced training costs, quicker processing time, and strategic collaboration.

Reduced Training Costs

On the legacy system, new call center representatives had to undergo a nine-week training process. The AVP says that CSRs now require only two half-day sessions to become proficient with the Pegasystems platform. This has made a huge difference for the company with regard to training costs as well as time to competency.

Quicker Processing Time

Before the team began to implement the new platform, they set rough benchmarks for transaction times. For example, the team timed how long it took to complete a loan process in the legacy system against how long it would take via the Pegasystems platform. They found that time went from 3 minutes in the legacy system to 15 seconds on the Pegasystems platform.

Strategic Collaboration

Early on, the insurance company's selection team had been impressed by Pegasystems marketing around its ability to carry out agile, iterative development. However, Pegasystems' native project management methodology — called SmartBPM — was entirely focused on developing software components rather than the full software development life cycle and project planning.

The AVP decided to collaborate with Pegasystems. "We had their methodology person meet with our Scrum coach and they did joint training. We embedded this SmartBPM, which is how you iterate through Pegasystems, into the overall Scrum methodology." Since they conducted these initial training sessions, Pegasystems has adopted Scrum as part of the company's own development strategy. This collaboration allowed Pegasystems to provide detailed support for the insurance company's projects while improving its own product development processes.

Future Plans

The insurance company's goal is to put the Pegasystems-based call center system into full production — that is, all 200 call center representatives completing all inquiries on the platform — by June 2011.

The insurance company plans to use Pegasystems for both direct customer self-servicing and a large portion of the calls that come into the service center, about 50% of which come from agents. The self-servicing program will cover 5,000 agents and 2.5 million policy holders.

The insurance company's long-term goal, in the context of a larger modernization initiative, is to decommission legacy systems beginning in late 2011. This will involve integrating a new SAP-based BI environment, a new master data management application, and the Pegasystems BPM platform using an SOA-based integration environment.

Lessons Learned

Flexibility Brings Complexity

In part, the insurance company's selection team chose Pegasystems because of the robust, customizable functionality it could provide. However, the AVP points out that the flexibility brings complexity. Though development teams have executed and delivered pieces of the platform in incremental stages, the teams now face a challenge in tuning the overall performance of the platform in production. This was expected by the teams.

In addition, developers faced a tough learning curve. The insurance company relied on Pegasystems consulting until the end of 2010, when the AVP's team began operating independently.

Start Small

"I think one of the things we did the right way last year is start small," said the AVP. The teams' goal was to deliver functionality in regular deliverables and iteratively prove the value of the system. The teams would have become overwhelmed by the more traditional, waterfall approach to the project.

The IT architect agreed. He said:

Quite honestly, as far as the approach we've had with the project, I don't think I'd do it any differently. If you try to overanalyze projects like this as a huge piece, you're going to get a lot less out of it than if you analyze smaller pieces and actually execute on them. Early on, we settled on a vision framework and basically, we took those epic stories and developed approaches. Now, we're able to iterate more effectively.

ESSENTIAL GUIDANCE

The tipping factors in BPM competitive situations are multiple and varied, typically concentrating on pricing, technology compatibility, and work management features.

The insurance company's selection process was deeply influenced by big picture technology and business methodology issues rather than by pricing or specific product features. The business unit in charge of the call center was in the midst of a Lean Six Sigma initiative and wanted process-oriented software that was compatible with that methodology.

Of the three serious contenders in the vendor selection process at the time, only Pegasystems had the flexibility and deep functionality that the insurance company considered was required to support its Lean Six Sigma initiative.

The insurance company had a single, overriding technical consideration that also sealed its relationship with Pegasystems. Among the three contenders, only Pegasystems had developed an ACORD messaging capability. The ACORD

insurance industry-specific framework became a critical factor in this selection process that neither of Pegasystems' competitors had built solutions for.

Enterprises about to embark on a journey similar to the insurance company's will gain a good understanding of the complexity of such an endeavor but will also see significant benefits in this approach. While the insurance company didn't discuss the future path of the team members, we would expect broader adoption in the insurance company through the skills developed in this call center modernization effort.

Vendors looking for competitive advantage need to be keenly aware of the business and technology initiatives that are under way at the sites of potential clients and be prepared to demonstrate how their products can support those initiatives.

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