



Insuring Success

As one of the largest and oldest providers in Europe, Assicurazioni Generali is expert in insurance and is investing in transforming the company so this will still be true in years to come.

Images by Yuma Migliaccio

With a history going back to 1831, and ranking in the *Forbes* top 50 global companies, Assicurazioni Generali certainly has the pedigree and the profits to make it one of the leading businesses in Europe. An insurance provider operating in more than 60 countries worldwide, its largest reach is in Italy, Germany, France, and Central and Eastern Europe.

Carsten Schildknecht, COO at Generali, joined the company in 2013 as part of a restructure of the management and board. Having previously worked extensively in banking, including as the Global COO of Wealth Management at Deutsche Bank, Carsten had a wealth of experience in the financial services industry.

Carsten's aim when he joined Generali was to completely transform the operational areas of the business. "My mandate is to transform Generali's operating platform from where it was one or two years ago to a more integrated set-up; a more integrated structure

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where we actually leverage our size so we have economies of scale and skills," he says.

This mandate was part of a 'transformation journey' that the board of Generali implemented to improve profits and increase productivity and efficiency. The company was already in a strong position—unlike many others, their profits were only barely affected by the global financial crisis—but there was more they could do to tighten up the organisation and regain its focus, according to Carsten.

"The first stage of our transformation journey was in 2012, when we put a strategy in place targeting 2015. That strategy's focus was around capital optimisation and efficiency. So it was about simplifying structures, and my part of that was setting up the operational excellence program. A strong focus of mine in the past two years was on launching the program, which targets €1 billion in cost savings by 2016."

After years of acquisitions and mergers, Generali had arms all

over the globe, some of which were seen as not core to their main business. The first stage of the transformation project involved selling many of these 'non-core' businesses, and consolidating the ones remaining so they all fell under one brand—Generali.

With the first stage being completed at the end of 2014, Generali is moving to the second stage of the transformation. "The first stage of the transformation has been completed, so we are one year ahead of schedule. And now we're moving to the second stage, which we're developing in detail now.

"The second stage will move more towards customer and distribution excellence and commercial excellence. This stage will look to the modernisation and digitalisation of the group, building out the footprint in new markets to allow organic growth, and finally driving customer experience and service quality, identifying what the customer really wants and delivering that."

One of the ways Carsten made savings for Generali was by >



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upgrading and consolidating functions across countries. Many of the businesses in different countries had individual procurement and IT functions, which were costly and inefficient. “We’ve built a company-wide procurement function. We’re coming from a stage where we had country-by-country procurement, we had country-by-country infrastructure, and now we’re integrating it. There are two big advantages of doing this: economies of scale through volume bundling, and economies of skills through specialisation.”

One of Carsten’s most substantial programs was the work he’s done with the IT area of Generali. “We have launched a shared services company, which will consolidate the entire IT infrastructure. We’re moving from 12 data centres to two. We are centralising all IT infrastructure operations and we are completely standardising the distributed infrastructure for the end users and their workplaces. We will have a standard set-up and have six times the purchasing power for some of the equipment we buy.”

One point Carsten emphasises is understanding your company and

starting position and knowing reasonably what you are capable of. “If you can do something in house at equal or even better service levels and costs than what you could by outsourcing, it makes sense to keep that knowledge and expertise within your company. If you take IT infrastructure, for example, we’re not outsourcing our IT infrastructure to one of the big providers because there’s so much we can and need to do ourselves.”

For IT systems, however, Carsten recognised that it didn’t make sense for Generali to try to do it all in house, because flexible access to technologies and cost-efficient development resources is required. “I think that no bank or insurer would ever be able to play at the same level as any of the big software providers,” he says.

The company decided to continue working with external providers for IT systems, but to focus on just a few strategic partners. “In IT systems, we have around 300 different software development partners and they are all onshore in Europe. We would like to work with just a few strategic partners, and we do that for two reasons.

Firstly, with a focus towards digital channels and technology-enabled sophisticated products, we need to have the speed and the flexibility to deploy new skills and technologies. Secondly, we are continuously looking for cost advantages. Currently, we don’t have a lot of external providers that are working for us offshore. And that’s a completely different picture to what you find today typically in a bank or in some of our insurance competitors.”

Because of this, Carsten has started a program to industrialise application development and maintenance and consolidate the number of external providers. “What we are doing here on the application development and maintenance side is that we’re going to select a few global vendors who can provide us with the access to the critical resources that we need to transform the group and implement our new strategy. On the other hand, we get it all at a lower price because we use their offshore development resources and get it in the right quality.”

With his background in operations and finance, Carsten is aware of the risks of outsourcing and is

ensuring it goes as smoothly as possible. “I’ve seen a lot of these big outsourcing deals fail in the industry. You need to get the timing right. And it’s also a question of your own capabilities to run such a transaction and get such a mega project done. In the end, you need to be very realistic where you’re coming from.”

Generali also looks to the successes and failures other businesses have had in similar programs for guidance. Carsten knows that by analysing others who have embarked on outsourcing he can try to avoid their mistakes. “We can learn a lot from what the rest of the industry has done, what the financial services industry has done, what the banks have done. Especially when it comes to outsourcing because there are a lot of things that haven’t been done very well.”

For the future, Carsten sees three major trends that will affect not only Generali, but the insurance industry as a whole. “The industry is challenged by some important trends. One is the macroeconomic and regulatory environment, another one is the change in customer behaviour and distribution channels, and then another trend is the more sophisticated service and product offering in the insurance industry. These three trends will lead to a change in the way we operate and the way we interact with our clients and the way we offer our products and services.

“The first trend, macroeconomic and regulatory environment, puts a lot of pressure on the margins, and as a result we have to become more efficient, and the established, more mature businesses become less attractive. As a result we have to move into new markets, into high-growth areas. The second

“As a global player, IBM is committed to Generali’s ultimate success, aligning a team of higher-standing executives, partners, and delivery excellence to the new global governance introduced by Mario Greco a couple of years ago.” - Francesco Stronati, Managing Director Generali Group Integrated Account, IBM

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trend is changes in customer behaviour and distribution channels. This means for us that we need to be more agile and flexible, smarter and simpler. We need to provide access to multiple channels and offer a seamless customer journey across these channels.”

The third trend Carsten sees is common in many businesses—the availability of data and analytical skills to modernise and optimise the product and service offering. This is a big theme in today’s world, and Generali is preparing to tackle this.

“The products and services themselves have changed significantly. Today, we’re talking about telematics and using that to improve our offering; for example, in motor insurance and roadside assistance. As a result, this trend leads to using far more data than we have been using in the past.”

To ensure this move to modernise and upgrade existing businesses and investment in new opportunities is successful, Generali is continuously reallocating resources from existing, more mature business lines, products, and technologies to new ones. Carsten sees this as crucial to ensure long-term success and survival of any business. “One of the mandates I’m following is to run a resource reallocation machine. It’s an ongoing process of reinvesting efficiency gains into new markets and product opportunities.

“People ask if it’s all about cost cutting, and I say you need to see it more as resource reallocation. At Generali we want to achieve €1 billion in cost savings and we will reinvest this into new markets, new business lines and service propositions, and new technologies.” •

