A leading insurance company transforms its IT infrastructure delivery

Shared global IT services improve efficiency, drive down time-to-market, and improve quality.

Challenge

Our client had a highly-fragmented IT infrastructure due to a series of mergers as well as a growth in business units because of the client’s entrepreneurial culture. The client had started to consolidate this to capture synergies but soon found that the cost and quality improvements they expected from consolidating IT infrastructure operations were falling short.

Although its disparate IT operations were being consolidated to fewer sites and platforms, the individual CIOs of these organizations grew frustrated when they did not see the cost savings they expected. This alarmed the newly acquired international units and made their CIOs hesitant to have their IT infrastructure folded into that of the larger company. This in turn limited the planned scale effects and further stalled the expected improvements, creating a vicious cycle that was difficult to break.

To stop this snowballing problem, the client asked McKinsey to turn the situation around by helping to fully establish a shared global IT service provider for the group, bring the financials on track to meet benchmark cost, and boost internal customer satisfaction.

Discovery

To transform the IT infrastructure shared-service organization, we developed a four-phase program with the client that would unfold over two years.

The first step was an in-depth assessment of strategy and achievements to date. The goal was to consolidate and globalize IT infrastructure management. The client had already taken major steps, and our review found the existing strategy to be appropriate. However, we identified some substantial gaps that called for intensified internal optimization efforts to improve quality and cost levels.

The second step was to create and implement an efficiency program that would foster sustainable structural changes to organization, processes, and technology. Our goal was to improve internal efficiency by 30 percent and to capture half of the savings within the first year. To do this, we identified short-term actions that could be implemented early on.

With the efficiency program very well established, the focus shifted to internationalization. The crucial first step for this was winning the favor of the next wave of new countries to consolidate their IT infrastructure organizations and assets. As soon as this was achieved, local optimization for each country was triggered along the lines of the program established in phase 2.

The mission to provide IT infrastructure services globally at benchmark cost and quality was well on its way after the first three phases, and major progress had been made in terms of quality of service and delivering on efficiency targets. This resulted in meeting the financial targets to a large extent. However, significant challenges remained for the organization. In particular, the organization was facing huge change resulting in the need to significantly develop individual capabilities. Hence, in the fourth phase, we explicitly aimed at further stabilizing and professionalizing the organization with a co-management model that accelerated capability building in the leadership team while delivering on the program.

Impact

The IT infrastructure shared-service unit is now fully established as the group's global IT service provider. The financials are fully on track to meet benchmark cost, resulting in annual savings of several hundred million euros, or about 30 percent efficiency gain. As a result, the internal customers are more satisfied. In addition, the group was able to launch more comprehensive shared services, building on the successes of IT infrastructure delivery in application development, but also beyond IT.