Business Process Management:
A Leap in Insurance Industry

Jitendra Agrawal[1]
IAQ, Associate Member, India
ajitendra@hdfclife.com

Umesh Shetty[2]
ISQ Member, India
umeshshetty@hdfclife.com

Abstract:

HDFC Life is a leading private life insurance company catering to 64 million customers spread across 940 locations in India. Insurance is a complex business which operates in strict regulatory requirements and with the help of multiple channels and customer locations, hence it is imperative to have a process centric, customer oriented business model. Given the dynamic changes in the industry, the organization needed to adopt innovative ways to optimize its business processes and manage across various cross functions in the value chain.

*After evaluating multiple solutions available globally, we selected the BPM tool, **ARIS** (Architecture of Integrated Information System). In order to move the organization from the current level of Process documentation (BPM effort), a comprehensive project, **BPM Next** was created with huge consideration on effective change management among stakeholders for smooth transition.*

This paper is about learning how successful deployment of the tool is done to this scale as a first experience in Insurance Industry in particular and Service industry at large. It highlights, how the team anticipated and managed the challenges, responded to the constraints, considerations for project management wrt SME timeline and quality of value add through design architecture and modeling 150+ processes to create a true leap in the BPM journey and a foundation for Daily Management.

Keywords: BPM, ARIS, Value Chain, BSE, SME, PO, SMAC, Change Management

1. Background:

Any organization is made up of People, Process & Technology, where 'Processes' connect the customers to the organization's people and technology. They provide experience of product & service delivery and create new value for sustainable results. In simple word, a process can be explained as **a set of interconnected activities that help convert 'Input' to 'Output'.**

Insurance as a business is a process centric, people focused and multi geography, customer oriented business. HDFC Life as an organization believes in being agile, aligned and ahead of the crowd. HDFC Life as an organization is constantly striving to create a sustainable competitive advantage in the strictly regulated market and it must adopt innovative ways to **optimize its business processes** to address and achieve strategic priorities—such as cost competitiveness, differentiation and growth.

2. Complexity of Insurance Business:

Insurance is a highly process centric industry where the '**Trust**' of people plays a key role both internally & externally. The dynamic nature of this business & the aggressive competitive environment puts processes at the centre stage & '**right process definition & management**' becomes an imperative. Insurance business architecture can be seen in the *Figure 1*

This complex structure can be explained through classification of processes into set of 'Core' & 'Non Core or Support' Processes. Core Processes include Product Management, Sales Management, New Business, Policy Servicing (including Persistency) & Payout processes. For these processes to function efficiently there are a set of support processes like People Management, Audit/Risk Management, Finance Management, Technology and Change Management. Generally an insurance business revolves around these 10 critical to business processes (CTB).

Figure 1: Insurance Process House
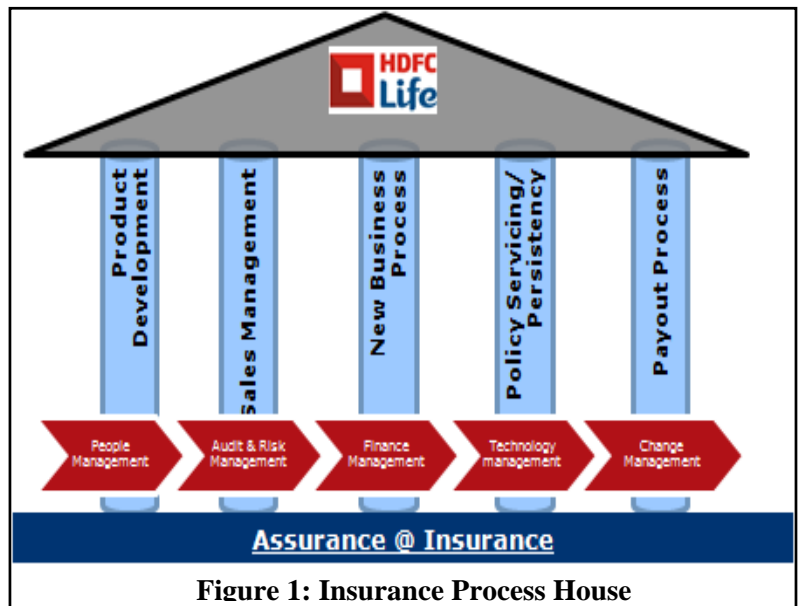
3. Journey of Process Documentation in HDFC Life:

As per Gartner, Business Process Management (BPM) is **the discipline of managing processes (rather than tasks) as the means for improving business performance outcomes and operational efficiency.**

A formal journey of process documentation began in January 2011 under the banner of 'Project Sambhav' in order to ensure that all the business processes are documented & an approach was defined based on ISO 9000 guidelines. With the dynamic nature of business, getting the documentation agenda, the required thrust in the organization was a challenging task. It was the foundation of the excellence journey in HDFC Life and required high level of sponsorship from the Senior Management.

This journey was divided into Phase 1,2,3 & so on. Documentation journey was envisaged to be delivered in two waves i.e. Wave 1 & 2. (Refer Figure 2)

- **Wave 1**, the objective was to enhance the process to make it audit ready, plug basic risk elements, establish cross functional ownership etc.
- **Wave 2** was meant to take the processes to a level further through BPR engagement & right change management. While there was a drive to document processes, it was equally important that the documents are adequate to meet the current & future requirements of the business (Wave 2) and hence there was an emphasis on elements like:
  1. Process Flow with cross functional linkages
  2. Responsibility Matrix
  3. Exception definitions and scenarios
  4. Escalation Matrix
  5. Measurement Metrics

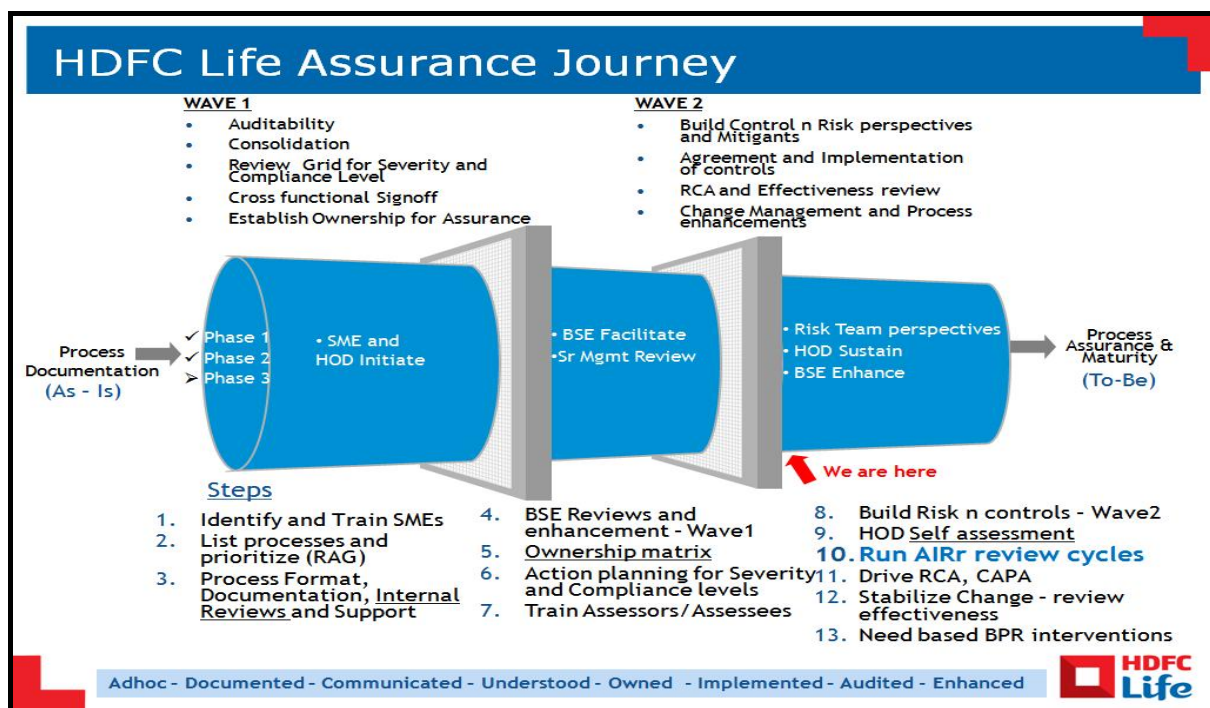 6. FMEA (Risk Identification, pre- post RPN & Mitigation plan)

Figure 2: HDFC Life Assurance Journey

4. Foundational elements of BPM in place:

These efforts became a sound base to ensure that the business processes have a better compliance and the organization can start working towards at process maturity rigor using AIRr (Assessment of Integrated Reality and risk) – a holistic process assessment framework covering aspects viz.

a. **Process Severity** was defined which acts as a simple way to categorize a process basis importance and impact to the customer and business – risk, operationalisation etc. Based on the criticality the review frequency were set

b. **SME Capability Building** was emphasized and SME was positioned as a '**Cog in the Wheel**' in the documentation exercise. Over 250+ SME's have been trained and certified in the organization.

c. **Document Ownership** was established at the process owner level which was big change in the people's mindset and talk the language of 'end to end' process definition, support functions etc.

    d. **FMEA** and mitigation plan was made an integral part of the process design
    e. **Measurement metrics** were crystallized which helped in tracking process performance.
    f. **Business rules & Exceptions** were clearly articulated to manage various scenarios

5. 'BPM Next' – The next logical leap:

With these foundational elements defined and the organization accustomed to the language of Process Flows, FMEA etc. the current approach still had some inherent constraints which were hindrance in the journey of excellence. For example:

    a. MS Word based process documentation creates rigidity during change management, as not agile

    b. Documentation & update exercise were tedious – Process ran into pages

    c. Risk & mitigation plan monitoring was weak – Tracking manually becomes impossible

    d. Sign off process across multiple stakeholders was time consuming

    e. Likelihood of miss-out during Change triggers since there was low visibility of impacted processes, systems, functions etc.

    f. Most of the process gaps were visible only post facto (Complaint, Audit, Process Assessment etc) since no report could be generated – Created low visibility at the Process owner's end.

There compelling a need to challenges the current performance since HDFC Life had already set out itself on the World Class Organization (WCO) Agenda. The 'BPM Next' objectives were carved out keeping the current & future business requirements in mind. (Refer Figure 3)
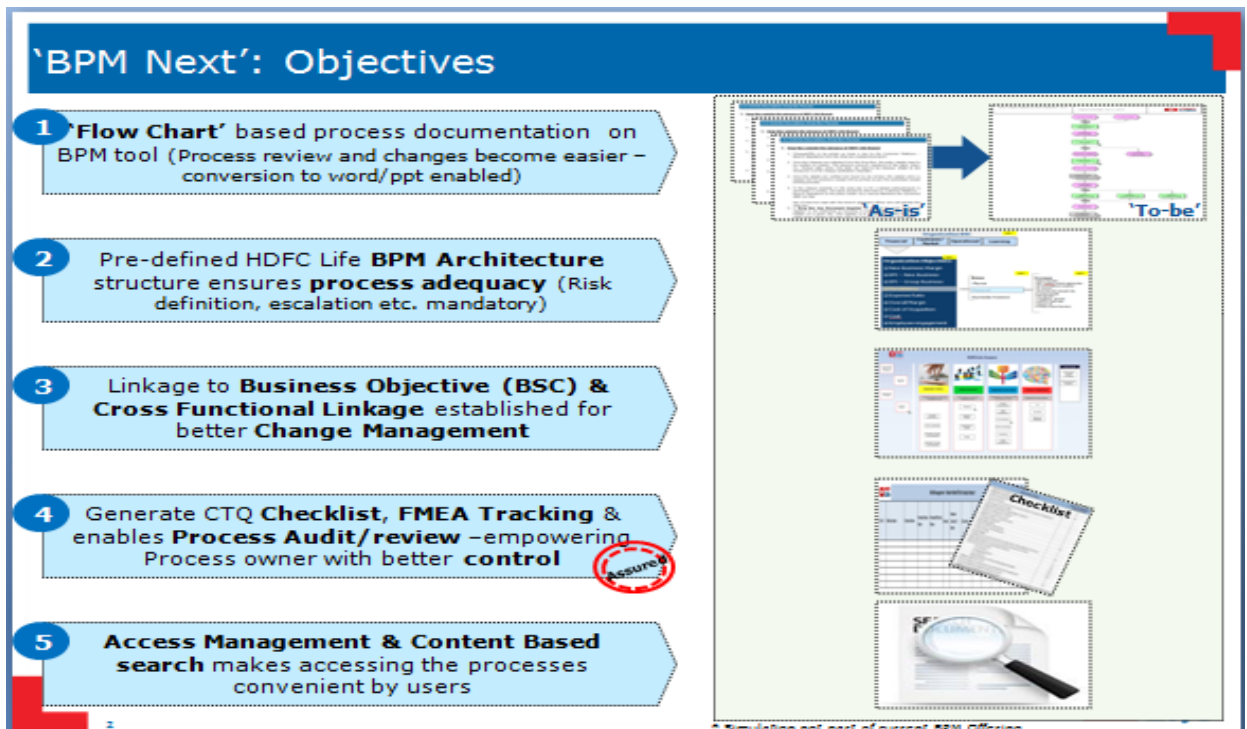

Figure 3: 'BPM Next' Objectives

Keeping this in mind, the search for a right BPM tool solution began in Nov 2013. Post a thorough evaluation against a set of 'Must' & 'Nice to have' features (Refer Figure 4) for over 4-6 months and 10 internal/external solutions, HDFC Life selected the **ARIS (Architecture of Integrated Information System) BPM tool** (appears in the Gartners Magic Quadrant).

While the tool has its own significance, the team was clear that it is just a means to meet the desired objective and not an end in itself. HDFC Life hence engaged a solution partner, who was responsible for internalizing the BPM platform within the organization by designing the architecture and modeling 150 processes. This was the HDFC Life's first step towards **'BPM Next' – A leap in the BPM Journey!**

Requirements/Features	Req
Process design & flowcharting	Must
Collaboration and Approval Workflow	Must
Document Publishing (Import/Export)	Must
Acesss Control Management	Must
Version control	Must
Storage & Retrieval of Process	Must
Change Management	Must
Dashboard & reporting	Must
Alerts & Triggers (for suitability etc.)	Must
Content & Process based search	Must
Parent Child mapping	Nice
Process Simulation	Nice
Screen Shot capture	Nice

Figure 4: Evaluation Criteria

Parallelly, a benchmarking exercise was carried out to map the existing BPM practices within and outside insurance industry. Practices were pegged on a 5 point 'BPM Maturity Scale' and there was clear opportunity for HDFC Life to be the first player in this space by embarking on a formal BPM Journey.

6. Challenges envisaged & expectation on BPM Next Implementation:

A project of this scale demanded a very strong Project Management & Change Management plan to be put in place. The team had a clear task cut out for itself:

- Aligning the Organization to the larger BPM vision – including SME availability
- Migration of all 150 processes on ARIS within stipulated time
- Building a robust and scalable BPM Architecture to meet changing business requirements
- In-house the ARIS tool 'know how' within HDFC Life
- Internalizing ARIS by process owners for Daily Management

7. Project Management & Change Management rigor:

Some of the learning of successful project and change management were plugged in making and operationalising the plan, including-

a. **Formal launch:** The project was formally launched with the Executive Committee of HDFC Life where they were taken through the overall plan. This was followed by a series of communications and road shows to the department heads, process owners & SME's; as the project plan was firmed up.

b. **Core Team formed & Cross functional Project plan in place:** A detailed phase wise project plan was defined (Refer Figure 5) and a core team comprising of Business & Service Excellence (BSE), IT & Q3Edge was put in place. SME's were clearly identified for each process & a time commitment was agreed with the Process owner.

BPM Next	Plan Start Date	Plan End Date	2014				2015								
			Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
1. Architecture Set up	25-Aug-14	30-Sep-14													
Technology integration	1-Sep-14	20-Sep-14	█												
Business Architecture & Design	25-Aug-14	20-Oct-14	█	█											
Core team sign off	20-Oct-14	25-Oct-14		█											
Governance team sign off	25-Oct-14	30-Oct-14		█											
2. Change Management	25-Aug-14	30-Apr-15													
Stakeholder mapping (SME, Process Owner, HoD)	1-Aug-14	10-Sep-14	█												
Communication plan to HoD, Process Owner &	20-Sep-14	30-Sep-15	█												
3.a Deployment - Phase I	25-Sep-14	31-Mar-15	█	█	█	█	█	█	█						
3.b Deployment - Phase II	1-Apr-15	31-Aug-15								█	█	█	█	█	
4. Sustenance & Control	1-Apr-15	30-Sep-15								█	█	█	█	█	█

Figure 5: Macro Project Plan

c. **Governance Structure through Steering Committee:** A Steering committee comprising of selected HoD's, EC Members & Core team meet every month to review the project progress and provide necessary guidance and support. (Refer Figure 6). Role modeling by Steerco members helped in bringing the required rigor on the project. Needless to say, weekly, fortnightly and monthly dashboard on the progress were broadcasted and acted upon.
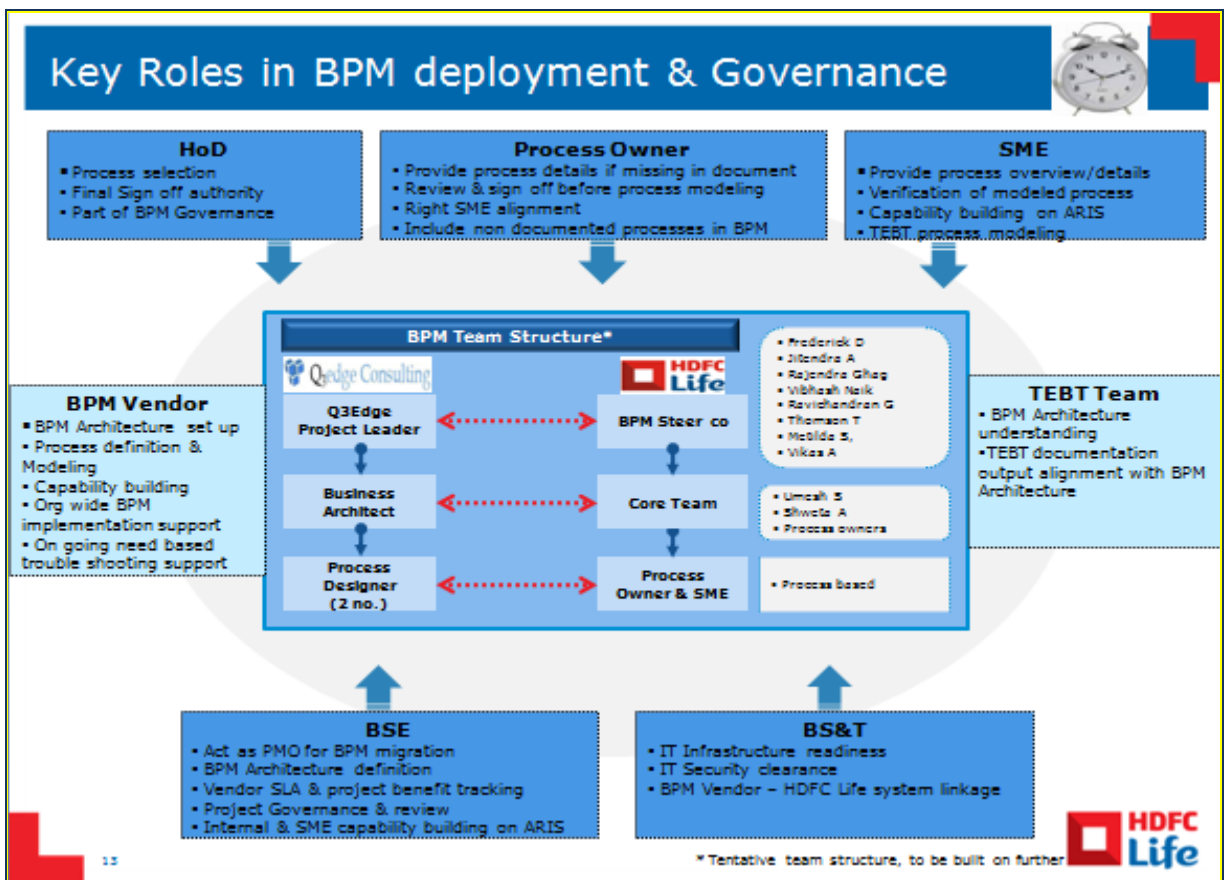

Figure 6: BPM Deployment & Governance

d. Change Agents with Quality Focus:

Five departments were clearly earmarked as torch bearers and change agents within the organization for this initiative. These departments were the front runners on this initiative and were constantly applauded for their efforts which created a sense of urgency and need to emulate within the other departments. To ensure numbers with no compromise on quality, a QC sheet was introduced at the vendor end with Maker (vendor) – Checker (HDFC Life) structure also put in place.

e. Awareness & Connect:

At the organization level the importance of BPM & its key elements were reinforced through series of periodic internal awareness mailers to the SME, Process Owner & the HoD group and also by leveraging MyLife, a HDFC Life Enterprise Social Networking platform for the same.

During this entire journey of migration, not even a single escalation was made beyond the Process owner and a conscious effort was made to make SME, the change agent. This was critical from a change management perspective and helped the project to get the required 'Pull' instead of a top down 'Push' which was a norm as far as this subject was concerned.

8. Design Considerations embedded in BPM ARIS:

a. Robust & Scalable BPM Architecture put in place:

The heart of BPM is its 'Architecture', a 2 months effort put in to make HDFC Life BPM- simple and scalable. Inputs from HoD, Process Owners, BSE & Vendor were taken & architecture considerations have been built in at micro level to make it future ready. Few key elements of the Architecture design were:

- Designing of the Navigation Page at Organization & Department level (Refer Figure 7)

- Selection of best fit BPM models out of 150 formats available in ARIS (Refer Figure 8)

- Defining the levels within BPM - ranging from an activity to the organization objective linkage

- Creation of new models e.g. FMEA which were not available in ARIS

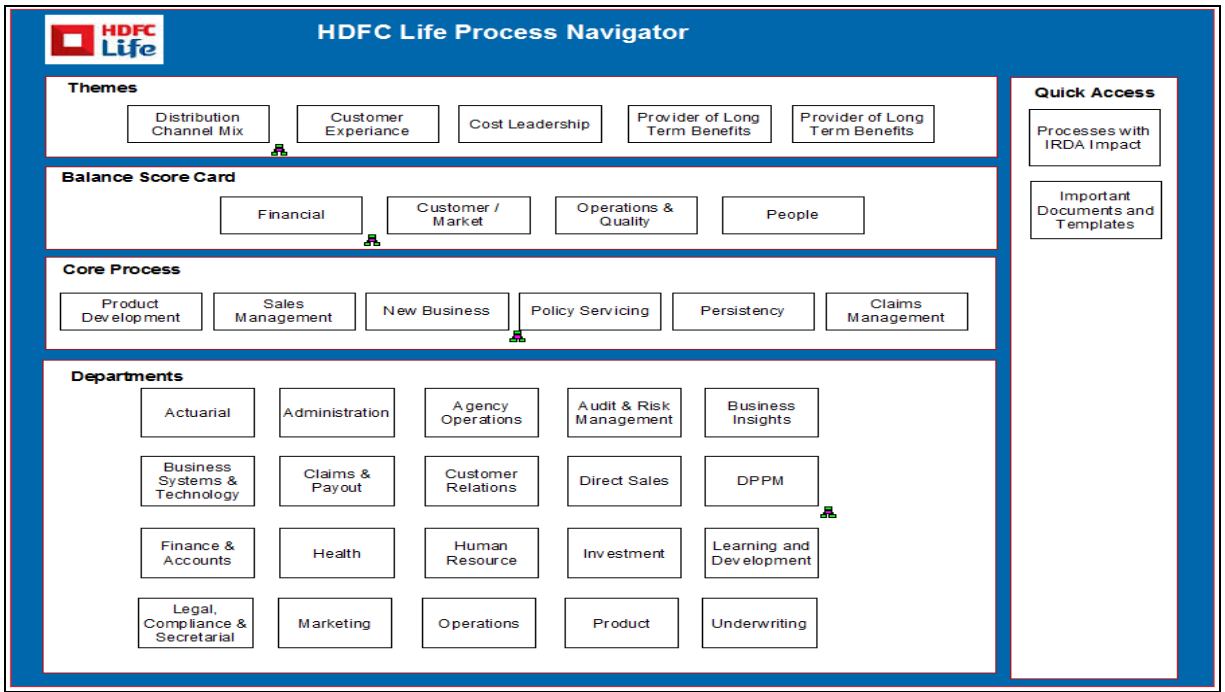- Defining sections to capture Business rules, screen shots, user manuals etc.
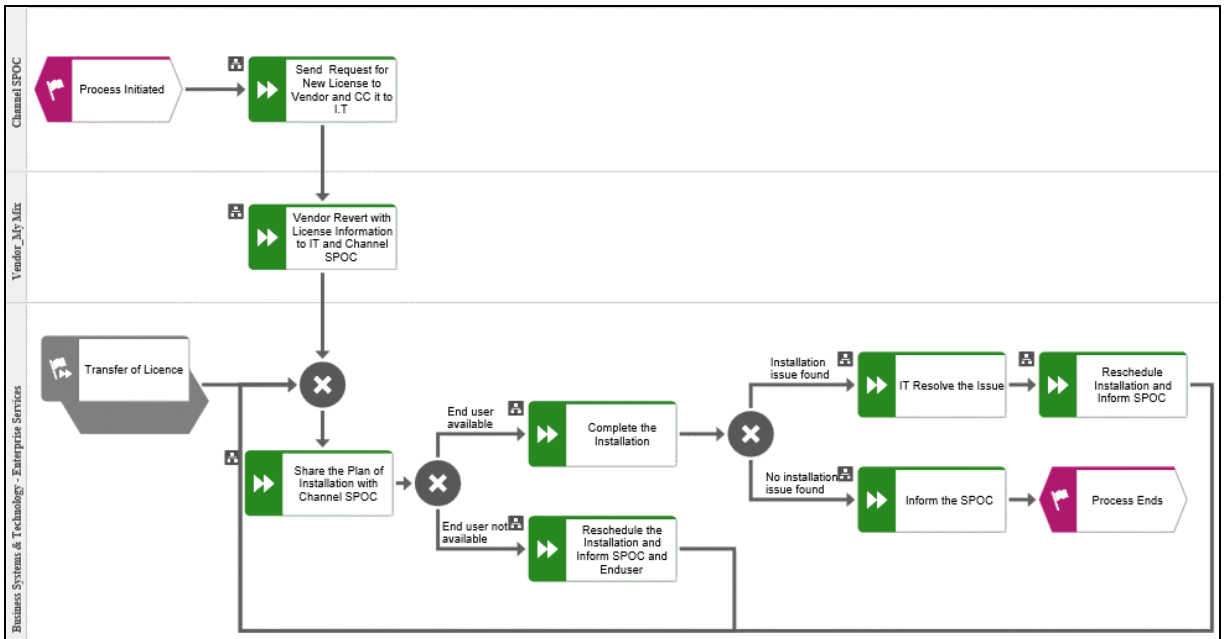
Figure 7: HDFC Life BPM Navigator

Figure 8: BPM Model Selected for HDFC Life

b. Attribute definition:

- 24 process level & 30 activity level attributes were defined keeping the present & future organization needs in mind.

- New attributes were introduced at process & activity level. E.g. Cost, Value Add/Non Value add flag, Level of automation (for Automation Index), Responsibility Matrix (RACI), Linkage to Regulatory Circulars, Critical to Quality Tagging, etc.

Meaningful inferences emerge out of these reports which can be used for Corrective & Prevention action planning e.g. Processes with low Automation & high risks (RPN), Processes with High RPN & having regulatory linkage etc. This will bring a complete change in the way we will look at our processes going forward. (Refer Figure 9).
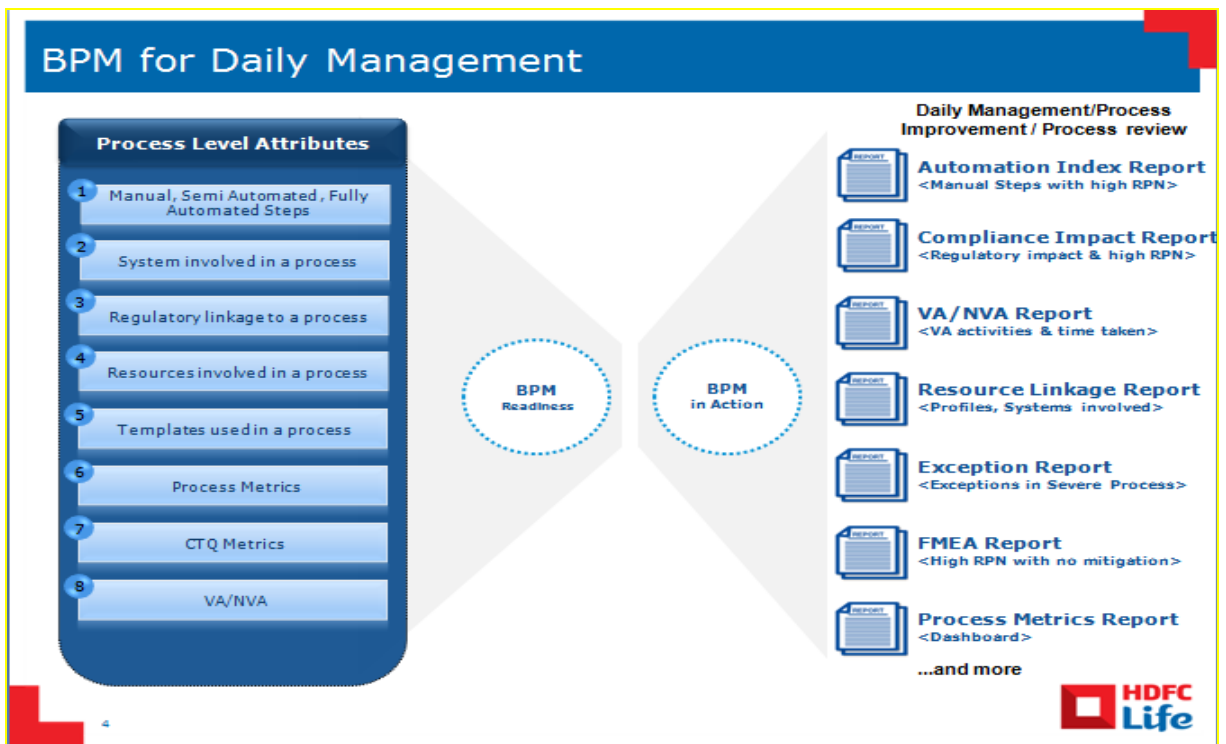

Figure 9: Process Level Attributes & Reports possible

c. Project level considerations:

- A BSE resource acted as a key link between the Vendor & the SME to ensure alignment & debottlenecking.

- A brief training was conducted by Vendor before on-boarding any SME to minimize rework

- The site visit by the vendor was kept at bare minimum levels through a robust planning & cost effective model of VC/Concall based interaction.

- Due to limitation in the number of licenses, the attributes were translated in excel form for the SME to fill with necessary guidelines & mistake proofing.

- Weekly dashboards to the process owners/SME's, War room-Daily huddle with vendor, Internal BSE reviews are few other efforts made to bring in transparency and rigor on the overall project.

9. Sustenance Plan:

a. **Vendor handover -** A formal training & certification for HDFC Life SME, BSE team & the IT team was conducted by the vendor. Training material was designed and handed over to HDFC Life as part of the formal closure.

b. **Sun setting of processes** migrated on BPM ARIS was carried out. Any subsequent process being designed was done only on ARIS and the old way of documentation was slowly phased out.

c. **System Access Management** grid was put in place which defined the level of access across users e.g. read, write, both or none. Special access rights were defined for confidential processes and for external auditors.

d. **Helpdesk support process** was set up and response TAT/SLA was defined accordingly.

e. **ARIS reporting tool** is the key essence of the BPM ARIS tool. It can throw up critical insights about a process which otherwise are hidden to the process owner. Information on process level NVA, Automation Index, High Risk activities etc. are now available on a click of a button. Process document is no more a mere compliance requirement but an integral part of business reviews. The reports help the process owner identify improvement opportunities and risk areas which need his attention and these acts as an enabler for effective Daily Management. (Refer Figure 10)
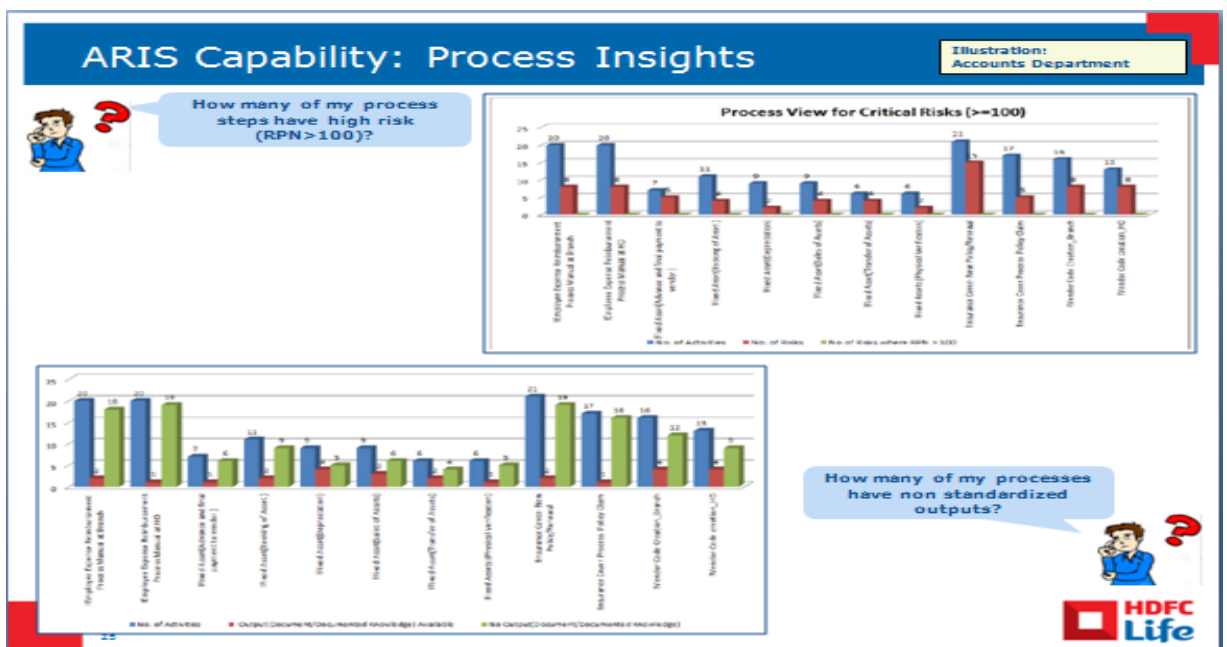

Figure 10: Sample Reports

10. BPM Next Outcome:

Over 150 processes (i.e. 200+ sub processes) have been made Live on ARIS as on 31st Aug'15. This is on a record time, such a complex project, which has got IT and People dependency was managed and smooth change was enabled in the organization. The SME, BSE & vendor jointly review each process in the as-is stage before the process got modeled on ARIS. A plan to replicate the product and the practice across the organization has been initiated.

Apart from the numbers, the 'BPM Next' initiative was able to create a noticeable shift & appreciation for the BPM vision & the ARIS tool where it was now perceived as 'intuitive' and 'better' by the stakeholders. The team was able to put a robust & scalable BPM architecture in place with critical to Business processes migrated on ARIS platform. Apart from enabling faster change management; critical areas like risk identification & mitigation plan, process Metrics, VA/VNA flag, CTQ tagging, regulatory linkage etc. was established for a process. By end of the journey with the vendor, HDFC Life had created 27 strong pool of cross functional team members certified on ARIS process design, architecture know how and knowledge was internalized in HDFC Life.

11. Way Forward:

Migration of all processes on ARIS was just the first step. Ongoing process review basis the process severity and review cycle, triggering process improvement will be critical for process predictability which is the ultimate objective of BPM. With this foundation in place the organization is now working on a continuous improvement cycle of PDCA through initiatives like Service Delivery Assessment (Customer experience of the process), AIRr & Project Management (DMAIC, QI Story etc.) and drive daily management culture (Refer Figure 11)
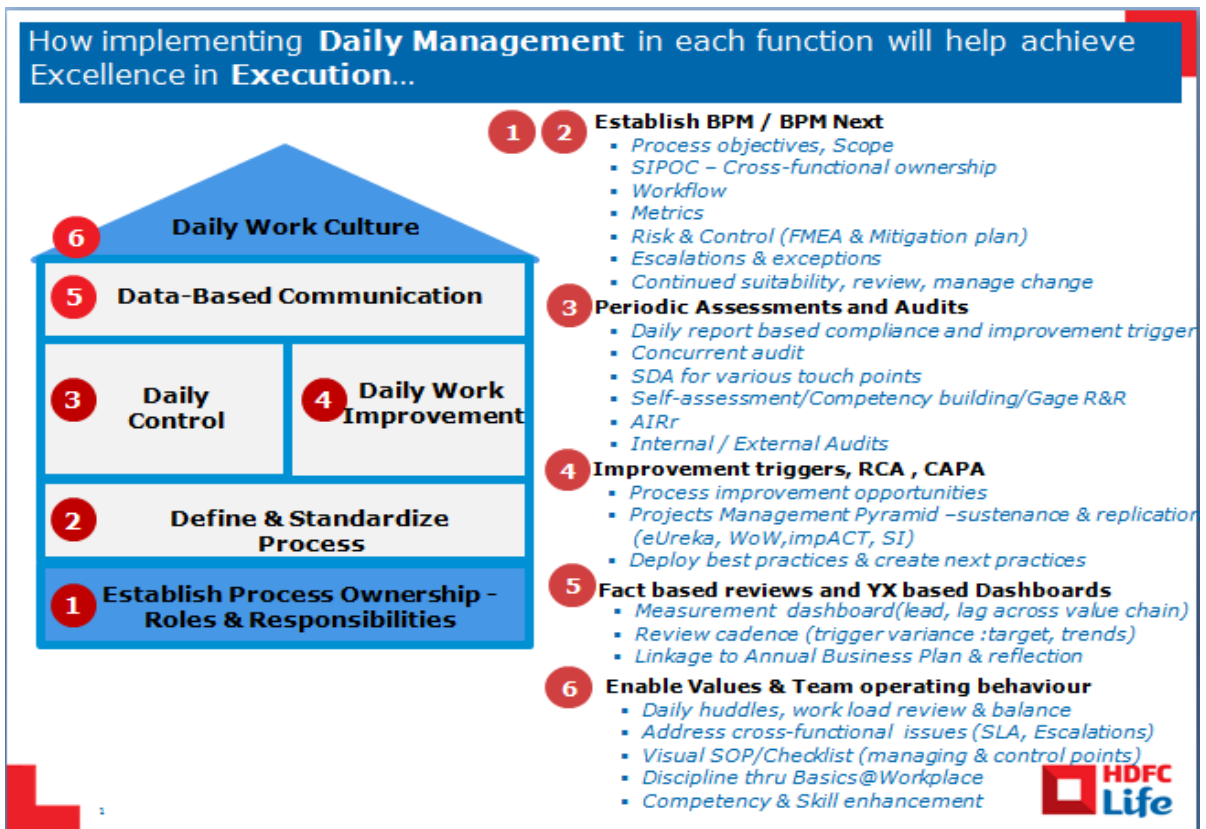

Figure 11: Daily Management @ HDFC Life

The reporting module of ARIS will play a very important role and help in creating a meaningful deep dive into the process which was not possible until now. Insights on process attributes related to Risk, Automation levels, Regulatory linkage, VA/NVA etc. makes a process document 'live' in true sense and drive a deep sense of compliance vs improvement.

BPM Next was indeed a 'Big leap' in HDFC Life and a step in the right direction which will help the organization create a sound customer focused process oriented capability to cope up in the VUCA world.

12. Reference:

a. Intelligent Guide to Enterprise BPM- Remove Silos to Unlease Process Power, June 2012, Published by Software AG
b. The Heart of Change – Real Life Stories of How People Change the Organizations by John P Kottter & Don S Cohen, 2012, Harvard Business Review Press.