Lenox's IT system is in trouble. Who will fix it, and how?

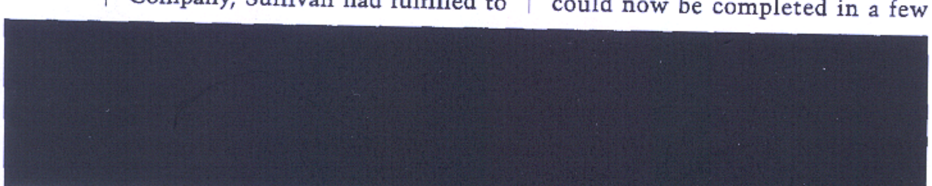
The IT System That Couldn't Deliver

by Byron Reimus

"Distribution is the name of the game," Lenox CEO and president James Bennett told the insurance company's newly hired chief information officer, Diana Sullivan, three years ago. Sullivan recalled the details of that first extended conversation with Bennett as though it were yesterday.

"We depend heavily on independent agents to sell our policies," Bennett had said. "As long as they have the option of offering our competitors' products, we have to give agents the right tools to get the kind of fast, reliable information they need to close a sale in our favor. Think distribution. It's that simple."

But it hadn't been that simple. In her three years at Lenox Insurance Company, Sullivan had fulfilled to the letter the role of CIO that Bennett had described. Bennett had confided in her: "Computers have never been one of our strengths. We know we have some catching up to do." Sullivan was proud of how she had helped Lenox catch up – by updating key applications, bringing in new technologies, and reorganizing and streamlining the information services organization.



Most important, she had led the development of Lifexpress, a sophisticated computer-aided system that enabled the company's more than 10,000 agents nationwide to conduct business with their customers and prospects in ways that had seemed next to impossible just a few years earlier. Lifexpress let an agent, using a laptop computer, develop a thorough financial profile of a customer, identify and explore Lenox's most appropriate policies, conduct an initial actuarial analysis, compare in detail how Lenox stacked up against competitors' ratings and performance, and generate all the necessary paperwork on-site to consummate a sale. A process that had taken anywhere from four to six weeks could now be completed in a few days or, in some instances, a matter of hours.

Within the last few weeks, however, as Lenox's IS staff finished rolling out the system, Sullivan began to realize that her role wasn't as clear as she had thought it was after that first conversation with Bennett. She was no longer certain which accomplishments mattered. In the time it had taken Lenox to deliver Lifexpress, two competitors had launched similar systems, and Lenox's executives were growing concerned that the multimillion-dollar project would not have the impact in the marketplace that they had hoped for. To Sullivan's distress, her boss, Clay Fontana, Lenox's chief financial officer, was clearly trying to hold her accountable for more than the creation and implementation of the system – he was putting her on the hook for the results of the system, too.

Sullivan stood at her office window, looking out over Fairfield's sprawling west side, wondering how she could begin to separate what she was responsible for from what she wasn't. A veteran information-technology executive with more than 20 years of experience, Sullivan had been recruited by Lenox from a major competitor, in no small measure because of her understanding of the insurance business, excellent track record in information services, and strong leadership abilities. Bennett and Fontana had made it clear at the time that they wanted her to conceive a technology vision for Lenox.

With Lifexpress, she thought she had met their expectations. Within her first few months at Lenox, Sullivan had moved quickly to organize a team to evaluate how technology could be better deployed to support the company's field force. The team of more than a dozen key executives included Fontana as well as several people from information services, field operations, marketing, and sales. She had also retained some consultants from an information technology firm, who were highly regarded for their work with companies in the insurance field, to bring outside expertise and perspective to the process.

In short order, Sullivan had articulated a vision of how the company could use technology to meet the challenges that Bennett had described, and she had persuaded the company's management committee to invest in Lifexpress. She had delivered the system on time and on budget, and had met all the specifications that Bennett and the other senior managers had agreed to. After a relatively smooth testing phase, the companywide implementation, although slightly behind schedule, was finally picking up steam. The first agents to use the system had offered mostly positive feedback about its hardware configuration and software.

But apparently Fontana wasn't seeing any of that. At their last few weekly half-hour meetings, Fontana had become impatient with Sullivan whenever she had tried to distinguish between what she could control and what she couldn't. And that morning's meeting had deeply unsettled her – in part because Bennett had joined the discussion and seemed to side with the CFO.

Sullivan turned away from the window and sat down at her desk. She opened a file of notes she kept of her meetings with Fontana and reread what she had written about that morning's discussion.

She had entered Fontana's office just before 10, a couple of minutes early. He had frowned as she updated him on how the plans were proceeding for training Lenox's agents to use the new system.

"We're not moving fast enough," he had said when she was finished. "I don't need to remind you that National Life's implementation is now running ahead of ours. More than half of their agents are trained and on-line even though their rollout began months after ours."

"We've been through this before," Sullivan had replied patiently. "A large percentage of National Life's agents are younger and more technology savvy. Even though we're behind schedule, I am confident that we will get on track before the year is out. The response has been excellent from those on-line so far. We just have more of a learning curve with our agents. We knew that going in. The training is taking longer than we expected. That's all."

"It could also have something to do with the fact that their system is reportedly more user-friendly than ours," Fontana had said. Before Sullivan could answer, he had added, "I'm just as concerned that so far only about 40% of our product line is on the system. Your people tell me that Manchester Mutual has already managed to put all of its insurance products, plus a good chunk of securities offerings, into its system. I don't need to spell out for you what that means its agents can do in terms of cross selling. Where are we on all this?"

"Where we were last week," Sullivan had said. "We're still waiting for the disability people to provide the data so that we can do the inputting and testing. With all due respect, Clay, that's really not an IS issue. Also, remember that we agreed not to put Lenox's mutual funds on the system until we had worked out all the bugs.

"As far as Manchester Mutual is concerned," she had added, "the fact is that we currently offer more than twice as many products as it does – or as most of our other competitors do, for that matter. We're behind in part because we don't have a clear product strategy. Our tendency has been to jump on the proverbial bandwagon every time a competitor comes out with a new product. One result is that we have so many offerings, it's hard for an agent to keep track of them. A system like Lifexpress can't be expected to serve as a framework for our products in the absence of a strategy that links them together. That's not an IS issue."

"It's your system, Diana," Fontana had said. "You know what the bottom line is. We made this tremendous investment based on your recommendations. You predicted that Lifexpress would improve productivity and help the sales force close on more new policies."

"What concerns me at this stage," Sullivan had told him, "is that we are focusing too much on what competitors are doing and not enough on leading the way. In the process, we're failing to acknowledge how far we've come. Lifexpress has met its implementation schedule and come in on budget. We have met all the system requirements that were identified early on. We're a bit behind on training, to be sure. But we need more leadership to carry our original vision to fruition."

It had been at around that point in their conversation that Bennett had happened to walk by Fontana's office. "Jim," Fontana had called out to the CEO. "Could you visit with us for a few minutes? Diana and I are in the midst of a discussion about Lifexpress, and I want her to hear some of what you shared with me yesterday."

"I think we should schedule a meeting with the management committee on this," Bennett had offered, without looking at either executive. "Diana should do an update of where things stand. Suffice it to say that I don't believe we are where we need or expected to be with the kind of investment we have made.

"I spoke to one of National Life's general agents the other day," Bennett had continued, "and he told me they were closing deals on most policies in less than half the time it's apparently taking us. They began their rollout more than six months after we launched Lifexpress, and look at how much of National's field force is on their system. They can't sign up agents fast enough for training. Can someone explain to me why that's not happening here?"

Bennett hadn't waited for a response from either executive. Addressing Sullivan directly for the first time, he had added, "We have to figure out how to get this thing fixed and back on track fast. We're losing a lot of momentum. I don't think you have kept us sufficiently informed. Please schedule a time for us to meet, and let's put together a presentation as soon as possible for the management committee."

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Even before the chief executive had walked out of the office, Fontana had been quick to jump in.

"I don't think I have anything to add to what Jim said. My advice is get your ducks in a row. Let's schedule a time next week for an hour so that we can plot out your presentation. We have a lot of bases to cover. I'm concerned about backsliding. More important, we may be losing sight of what the original requirements were. Let's think about that before we go any further."

Get my ducks in a row, Sullivan thought, looking up from her computer. What on earth was that supposed to mean?

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