

Knowledge Management Outsourcing and the London Insurance Market

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Agenda

- Introduction
- Framework for Investigation
- Case
- Discussion
- Results and Insights

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Research Question

What happens to knowledge in different (back office) outsourcing arrangements ?

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Back Office Performance Improvement - Options -

High	Management Consultancy Knowledge transfer?	Enterprise Partnership Shared knowledge?
Low	Free-for-Service Outsourcing Hired knowledge only?	'Do it yourself' Knowledge creation?
	Low	High

Potential for Performance Transformation

Potential for Sustainable Development

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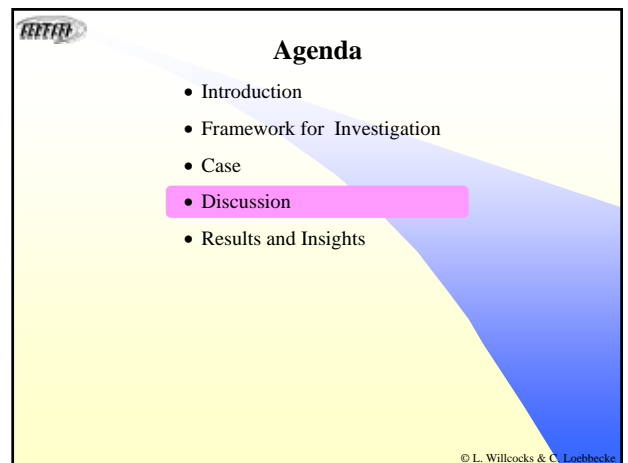
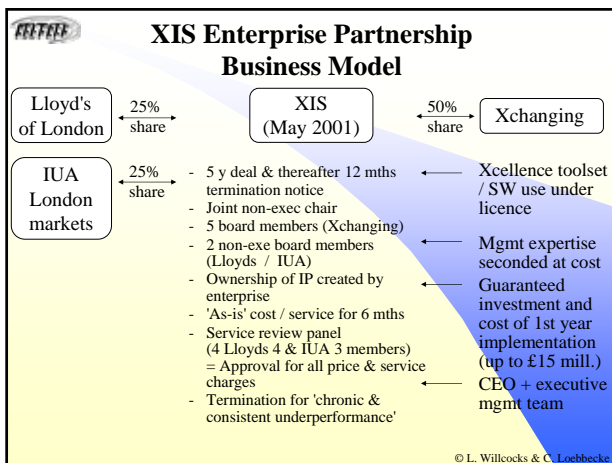
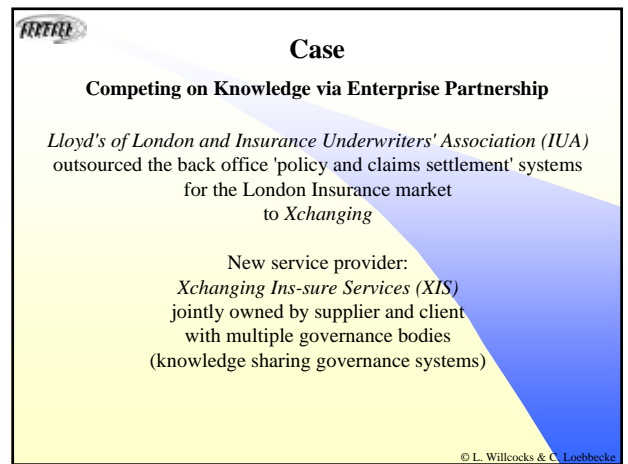
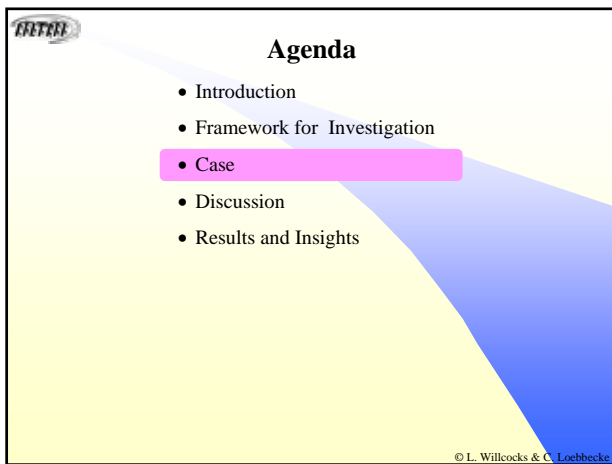
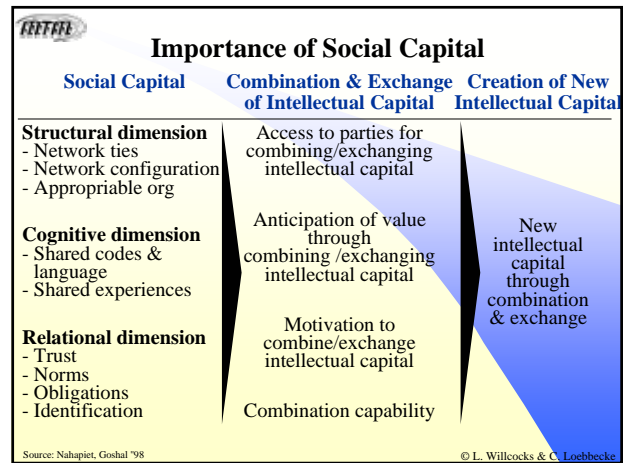
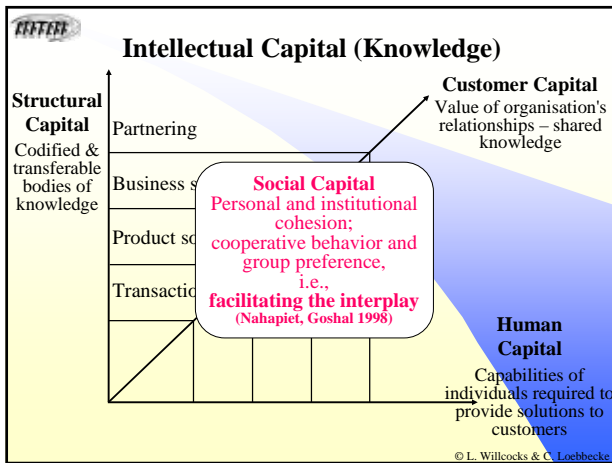
Knowledge Implications?

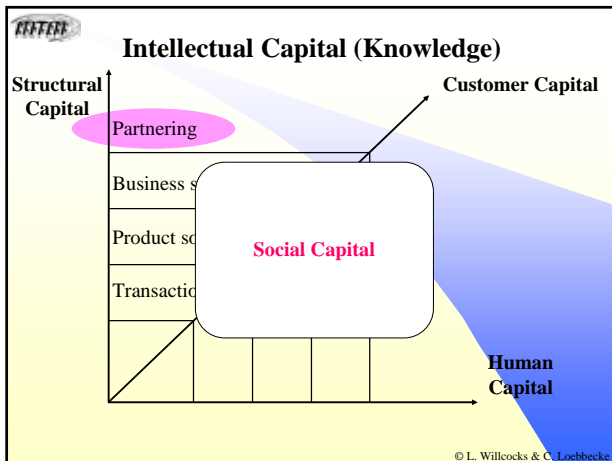
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Structural Capital

Codified bodies of semi-permanent knowledge that can be transferred & Tools that augment body of knowledge by bringing relevant data or expertise to people

XIS

- Continuous recycling & creative utilisation
- Sharing of knowledge and experience
- Structuring and packaging of generic competencies
 - Rule-based 'explicit' knowledge
 - 'Tacit' knowledge made explicit from each project
- Institutionalizing learning: Using structural capital for reinforcing / expanding human and customer / social capital

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Human Capital

Capabilities of individuals required to provide solutions to customers

XIS

- Transferees with insurance and systems knowledge
- Competency leaders as high-knowledge, proven operational performers
- High focus on training and continuous learning within competencies
 - Six Sigma projects, communities of practice
 - Continuous recruitment for specific roles and competencies

Source: Stewart 02; Nahapiet et al 98

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Customer Capital

Value of organization's relationships with people with whom it does business

↻ Shared knowledge

XIS

- Co-location with Lloyd's and London insurance market companies
- Constant social relations with partners at managerial and operating levels
- Extensive partnering mechanisms and processes
- Market-led product development

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XIS Results 2001-2008

- 80% revenue growth from new business
- 30% reduction in operating costs (without offshoring)
- £ 4 mill. returned in dividends to Lloyd's, IUA by 2005
 - 70% above forecast
 - Continued dividends 2005-2008
- Greatly improved reserve accuracy, reduced claims leakage
 - 75% reduction in non-moving claims
 - New 'expert' management and subrogation techniques
- New, high-value e-processing services introduced
- All restructuring / capital investment costs self-funded: No further contribution from Lloyd's or IUA

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But:
Counter-Intuitive Model ...

1990s Prescriptions		Enterprise Partnership
• Detailed, complete contracts	↔	• Brief, risk-reward contracts
• Thorough due diligence	↔	• Speed to delivery as key
• Supplier cultural fit	↔	• Generic business competencies
• Sector / domain specific knowledge / experience	↔	• 'new kid on the block'
• Short-term 3-5 year contracts	↔	• 5-10 year contracts
• Multiple suppliers	↔	• Single partner
• Don't trust suppliers: Core in-house competencies	↔	• Supplier manages partnership & operations

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Knowledge Capital:
Enablers of XIS Enterprise Partnership

Trust from relationships and credibility	i.e., phased implementation, service def., relationship managers
Interdependence with all parties having necessary role	i.e., Xchanging generic competencies vs. client domain knowledge
Information Sharing w / critical/ proprietary info	i.e., business plans, open book accounting, performance reporting
Information Participation w / joint planning and goal setting	i.e., board of directors, service review boards
Conflict Resolution via joint problem solving	i.e., service review board

After: Mohr, Spekman '94

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.... Questions, Comments, Complaints ?

Thanks for your attention !

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