

Insurance **POST**

Supply chain focus: Aligning cultures when choosing partners



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Alignment with suppliers on issues such as environmental performance and corporate social responsibility procedures is not new, but growing in importance

Insurers are keen to develop alignment in their cultural attitude towards

implementing technology

Insurers exploring how they can use their procurement spend differently and generate societal and, indeed, commercial benefits.

With an increasing focus on corporate social responsibility and technology, choosing partners that can align with an insurer's core values has arguably never been more important. Edward Murray looks at the factors supply chain managers now consider important when choosing the businesses with which they want form long term relationships

Consistent customer outcomes create trust, enhance [brand reputations](#) and enable insurers to benchmark and improve performance going forward. But such outcomes are only possible if an insurer has a positive, customer-centric culture that extends across its network of partners.

As insurers evolve their own internal cultures, they are also looking deeper into their suppliers' businesses, seeking closer cultural alignment to produce better overall performance.

For decades there has been much talk of partners being 'on the same page' or 'pulling in the same direction.' But such platitudes can trip off the tongue without there being any underlying corporate commitment to having measures in place to ensure genuine cultural alignment.

In more recent times, insurers have sought to change that. They increasingly realise that competitors can replicate products and pricing, and to differentiate themselves sustainably demands doing things differently to others. It demands having their own unique, consistent culture that customers buy into and value.

Andrew Morrish, UK claims director at Aviva, says that seeking alignment with suppliers on issues such as environmental performance and corporate social responsibility procedures has been in place for some time.

Alignment in thinking

But things have moved on and he comments: "Increasingly, the sorts of things we would take into account to understand alignment between ourselves and a potential supplier is how they think. For some time, we have been very deliberate about how we have built our claims supply chain and developed our understanding of how suppliers perform, and the suppliers we should select, based on a wider view of whether we think similarly."

Morrish believes deeper alignment comes not just from the practical function of completing a piece of work, but from whether the supplier is driven by the same goals in getting it done.

He adds: "We are really keen to see if a supplier, or potential supplier, thinks the same way as we do about what matters to customers. About the role they can play in what matters to customers. It revolves around our definition of valuable. What is valuable for them to do for customers? What is their definition of how well they do that?"

Such shared values are particularly important in the insurance sector where suppliers are often working for and against insurers. These two-edged relationships have the potential to create conflict and so transparency is essential, according to Gary Barker, claims director at insurer ERS.

He explains: "The alignment of values in the appointment of businesses to our supply chain is critical, particularly as many of the suppliers that insurers deal with, such as law firms and hire companies, also make money by bringing claims against insurance companies. To that end, we will only deal with firms that demonstrate complete transparency in their dealings both with and against our business."

Transparent partnerships

Aviva is similarly focused on developing transparent partnerships, and taking the example of law firms, Morrish says: "We have got to the point where we have said to some of our lawyers that we know they make a lot of money defending litigation against our customers, but we want them to work with us to help us give them less work."

At first glance it might seem that law firms would be reticent about such an approach, but the opposite is true in many cases.

Morrish adds: "We are culturally trying to get to the same point, which is better customer outcomes and more sustainable supplier relationships. Some of the lawyers have been the most innovative and brilliant at capturing our thinking around this."

There is no doubt that insurers are demanding in what they want from suppliers and there are basic standards they must meet just to start a conversation. At Allianz, for example, every supplier must sign a code of conduct that embodies these hygiene factors.

Bettina Gross, Allianz's head of procurement, says suppliers have had to sign this code since 2015, but she is also keen to emphasise the insurer's desire to work in partnership and for mutual benefit.

She comments: "We want to build our relationships on trust and innovation. If you have a longstanding and preferred supplier relationship, then it can be a win-win for both sides if we come together as partners. In the IT area, for example, we are doing quarterly reviews with all our preferred suppliers, where we come together and align our digital road maps."

Insurers across the board are keen to develop alignment in their cultural attitude towards implementing technology. Alastair Sherwin, manager (claims), motor engineers, Covéa Insurance, says the company has created some of its most significant customer service gains through collaboration with external providers, as a result of developing and trialling new technology.

He says: "Such progress relies on positive supplier relationships and having the agility and openness to adopting new technologies. Working with specialist technology providers we have pioneered new systems designed to improve customer choice, reduce touch points (customer effort) and increase efficiencies both for us and our suppliers, which have additionally given us first to market advantages."

Clearly, the point is to make sure that suppliers are working in a fashion that improves efficiency and performance and that they are drawn closer to the insurer rather than drifting apart as each company develops its capabilities.

A robust internal culture is not enough

Driving cultural change within an organisation is difficult. It demands that employees at every level have the same values and make the same mental assumptions in the course of carrying out their everyday roles.

This is a point made by Stephen O'Hearn, global insurance leader for PWC, in a report entitled: [Insurance 2020 and](#)

Mutual benefits

But the relationship must be mutually beneficial if suppliers are to engage fully and that is why Gross says a central question in the quarterly reviews Allianz conducts is: "How can we get benefits for both parties out of the relationship?"

For suppliers, getting the best out of their insurer partnerships

beyond: Creating a winning culture.

He said: "Many insurers are seeking to remodel their culture. The problem is that most are still failing to translate their high-level intentions into real changes in the way their people behave and make decisions during the 'moments that matter'. Communications and training alone won't drive change... it's vital to identify people's most telling habits and routines and actively shape them."

A shared culture leads to consistent outcomes for customers and this is particularly important for insurers seeking to prove their worth to policyholders at the point of claim.

The challenge for many insurers is that they do not operate in a bubble and rely on many suppliers to deliver this consistent performance. As a result, they need to create not only a consistent internal culture, but also one that runs throughout all their suppliers' organisations.

revolves largely around the volume and certainty of work they receive. As large organisations, insurers can flex the amount of work they give to suppliers while also promoting them to other parts of their organisation.

Allianz actively offers suppliers the chance to increase the amount of work they do through supplier fairs. Gross explains: "We run supplier fairs in the UK where UK-specific suppliers can show what they could do for various business areas. We also have fairs on a global level where suppliers can promote themselves to other offices and countries."

In addition, she says the insurer is seeking ways to recognise excellence in its supplier community and Gross adds: "We are also looking into the possibility of creating supplier

awards here in the UK to reward companies and give them recognition."

While insurers can give suppliers recognition, exposure, extended contracts and increased remits, they are also looking to create the opportunity for them to win approval from policyholders, who then self-select to use their services.

Karl Poulson, chief procurement officer at LV says: "We listen to what our customers say by way of feedback about the quality of service that they receive from the suppliers they interact with."

This is an approach that others are also adopting, and Morrish says: "One of the big levers that insurers can pull is how much work they give suppliers and the longevity of contract they offer."

But he says there is a move away from insurers independently determining work volumes and that customers are now being given more control.

Customer control

He adds: "It is our customers who should determine how much work a supplier gets and for how long. If our suppliers are in competition with one another then we are increasingly saying to them that there is a lot of work available and they will get it if customers say they should get it. We are increasingly moving to a model where customers choose which suppliers they want to repair their car, or their home, or whatever, based on what other customers like them say."

Online giants like Amazon have embedded such self-selecting models into their operations and it is a way of giving customers control while also incentivising suppliers to focus not only on the speed at which they work, but also on the quality of outcomes they deliver. Better outcomes will improve online ratings and generate increased volumes.

As insurers examine and evolve their relationships with suppliers, many are looking beyond the partnerships that are directly related to the customer experience. They are also exploring how they can use their procurement spend differently and generate societal and, indeed, commercial benefits.

LV is one such insurer and it has recently signed up to an initiative called the [Buy Social Corporate Challenge](#).

Led by Social Enterprise UK in partnership with the Department for Digital, Culture, Media and Sport, and Business in the Community, the programme was launched in 2016. It seeks to encourage companies to include more social enterprises in their supply chain.

To date, over £45m has been spent by corporate partners and the challenge has directly or indirectly created 329 jobs at social enterprises. Through corporate contracts social enterprises have been able to reinvest almost £3m into their social missions.

Social enterprise

Poulson says LV's annual supply chain spend runs to about £1.4bn and he wants to use an increasing amount of that to create a positive change in society.

To give an example, he says: "Earlier in the year we switched our office supplies

contract – something which every business in the country has a need for – to an organisation called Wildhearts, which is a social enterprise. It uses profits to fund micro loans in the developing world – typically to women who use that to start or develop a business and the profits are normally used to educate their children. It is a fantastic programme and comes from simply buying paper.”

The move has actually saved the insurer a small amount of money, although Poulson only shares this information because he says the widely-held belief is that such programmes are more expensive. He wants to emphasise they are not.

Nor does Coulson say the plan is to force other suppliers to use more social enterprises, although he believes it is easier than most think. He comments: “A small garage, for example, could make the same change as we have for office supplies. That is what we are looking for. We are not mandating any of this. We are telling them about the benefits of it and why we think it is important. We are a few months into it and in five years we will have developed an awful lot of momentum in this journey and we will have made a lot more progress.”

From a purely commercial point of view, the benefit comes from making a very public statement about the underlying ethos of the company. It is well documented that customers are increasingly discerning about the values of the companies they deal with and so promoting a socially-minded procurement policy is likely to help retain and attract customers, all else being equal.

As Coulson concludes: “We like to think we are a bit different about how we go about doing things and this really underscores that in the market.”

For the second article in this series, [‘Supply chain focus: How TPAs view the changing landscape’, click here.](#)

For the third article in this series, [‘Supply chain focus: How ADAS is shifting the goalposts in motor repair’, click here.](#)

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