

Main Case Study AXA Insurance – the innovation manager⁴⁴

Before reading this case, consider the following generic innovation management issues:

- ▶ What sort of ideas lead to the most important innovations? Are they the ‘brainwaves’ that lead to radical products or are they more pedestrian?
- ▶ How can the best ideas be selected?
- ▶ How can the nature of innovation be effectively communicated within an service organization?

Introduction

The French company AXA is the largest insurance company in the world with approximately 150,000 employees. Their Irish subsidiary was formerly part of the Guardian Insurance Group and today it has high market shares in the motor and household insurance sectors and distributes its service products through a network of branch offices, insurance brokers and tele-sales operations. Although the insurance sector is not normally known for its innovativeness, the parent company has established innovation as one of its company core ‘values’ and the Irish operation has created a reputation for creativity over the last few years. In Ireland the focus on innovation started in January 2000, when AXA created a new position of ‘Innovation Manager’.

The responsibility of this role was broadly defined as ‘to raise the innovation capability of the organisation through staff involvement and shared knowledge’ and a service manager Catherine Whelan was quickly asked to accept the challenging position. Her task was not simple, especially as there had been no previous incumbent, on whose ideas she could build. Furthermore, the Irish AXA organization did not have a tradition of innovation and colleagues greeted her appointment as the Innovation Manager with some scepticism. In contrast, Catherine had the full support of the Chief Executive Officer, John O’Neill, who had joined the Irish operation in late 1999. He had immediately announced that one of his main business targets was for AXA Ireland to become more innovative, to match the worldwide emphasis that AXA placed on innovation. However, his aim was also strongly influenced by the need to find ways of addressing factors such as the significant inflationary pressures in the Irish economy, cut throat competition, market consolidation in the insurance industry, and the urgent need to reduce costs.

The MadHouse

O’Neill had acted quickly to stimulate innovative thinking within AXA Ireland, both through the appointment of an Innovation Manager and, shortly before, through the launch of an initiative which he christened the ‘MadHouse Programme’. It was a team-based way of stimulating innovative ideas, with members meeting regularly over a period of two–three months. Typically, it brought together half a dozen employees from different areas of

Main Case Study continued

the business and different levels in the organization, on a part-time basis with the stated objective of coming up with innovative business ideas. This activity was carried out in a way that involved both learning and fun and there was a dedicated room for the use of the MadHouse teams. This contained a PC, internet access, information on creativity techniques, books and magazines, coloured hats hanging from the ceiling as a reminder of Edward de Bono's 'Thinking Hats' and other symbols and decorations from around the AXA organization.

In its first six months the MadHouse Programme generated over 200 business ideas. These ideas were passed to Catherine, who as Innovation Manager was responsible for choosing the best ideas for further development. She realized that the MadHouse programme had achieved a lot in a short time and had helped to raise the profile of innovation within the organization. It had generated enthusiasm among staff. It had created an environment of shared learning and was helping to build cross-functional business relationships. It had also generated a significant number of business ideas. Nevertheless, Catherine was worried whether the Programme would continue to be successful for a number of reasons:

- ▶ Firstly, given the time and resources allocated to the programme it was the view of several managers that too few really 'new' ideas had emerged and little contribution had been made to the business.
- ▶ The 200 ideas generated were only at the concept stage. They required selection and development but the business units were reluctant to take on this additional work. Catherine knew that achieving some successful implementations was key to the continuing credibility of the programme.
- ▶ It was obvious that both the MadHouse and innovation were still viewed as something separate from normal business activity. Catherine perceived her role was to embed innovation activity as part of the way AXA Ireland staff act and think during their day-to-day work. As AXA Ireland was a traditional insurance company, this change looked like being difficult.

Linking Innovation to the Business

In looking for a way to push innovation further, Catherine focused on a number of areas. Firstly, she decided to quickly push the implementation of one of the ideas from the MadHouse. This was the 'TaskMasters' initiative in which every employee at every level in the business would be empowered and encouraged to engage in innovation and continuous improvement on a daily basis, rather than as only part of the MadHouse initiative. TaskMasters encouraged employees to continuously question the value of what they were doing on a daily basis and check if it was supporting the relationship with customers. The focus would be on addressing small problems and issues that

Main Case Study continued

could be implemented quickly and at low cost. A reward structure was established to support the initiative and measures were set to gauge the success of this programme.

Secondly, Catherine actively promoted the awareness of innovation in general and specifically the TaskMasters initiative. Regular communications were sent to all staff and, additionally, an 'Innovation Corridor' was created on the way to the staff restaurant. This created a wider familiarity about the need for innovation, which had previously been restricted to the relatively small number of people involved with the MadHouse. Still, Catherine felt that perhaps too much emphasis was being placed on the generation of new ideas and this kept her thinking about the meaning of innovation in the AXA Ireland business in general.

Thirdly, she realized that the generation of many business ideas was positive but the selection of the best ideas from the 200 concepts already existing would not be easy. To address this problem she worked with management to understand their views on the factors that needed to be considered when choosing projects; such as the potential market impact, the resources available, and the urgency. When viewed from this perspective, many of the ideas appeared less viable and so a set of 'filters' was created for MadHouse participants and a selection process that involved management. The filters consisted of a set of questions that participants were encouraged to use to evaluate their own ideas. A selection process was also created where, at the end of a three-month period, MadHouse participants were required to present their ideas to a management panel that, if convinced, would quickly assign resources for implementation.

Although the MadHouse and TaskMasters initiatives had raised the innovation capability of the organization and by doing so had supported the strategy of the business, a number of key issues had to be addressed. Structuring the programmes effectively was going to be important. Convincing staff that they had a key role to play in the development of the company was also still a challenge.

Learning from the Results

With hindsight, Whelan sees that a clear understanding of the meaning of innovation is essential within an organization. This led her to develop the 'Innovation Quadrant' (Figure 3.5), as a categorization of the types of ideas that lead to successful innovations. Initially the Quadrant provided a communication tool, which was used to explain to all employees that innovation has a broad scope and is not simply ideas for new service products. It also allowed more emphasis to be placed on encouraging all employees to contribute to innovation and not just those selected to attend the MadHouse or work on new service products. Now, with the experience of focusing on innovation, it is interesting to see what types of ideas were applied successfully. The figures

Main Case Study *continued*

Figure 3.5 AXA innovation quadrant

<p>Create new customer-focused opportunities (10%)</p>	<p>Improve existing products, services and processes (40%)</p>
<p>Eliminate non-value-adding activities (40%)</p>	<p>Re-use AXA global success stories (10%)</p>

in brackets in Figure 3.5 indicate the percentage of ideas successfully implemented over the last two years, and it can clearly be seen that new customer-focused opportunities (new service products) represents only 10 per cent of the implemented ideas. In contrast, improving processes through the elimination of non-value-adding steps has had a major impact on many areas of the AXA business. Similarly, many improvements to existing service products have been made.

Overall, AXA Ireland has come a long way since the role of Innovation Manager was created and the company has discovered the importance of communicating the role of innovation, creating well understood and effective filtering mechanisms, and knowing the types of ideas that are most likely to generate business returns.