Chinese life insurance leader obtains sustainable competitive advantage through IT planning

“In today’s insurance industry, change is permanent and inevitable. The drastic change greatly influences long-standing giants like China Life. HP helped us build an IT strategic plan, which will allow us to establish our core competitiveness and adapt to the new trends in the future.”

– Mr. Wan Feng, Vice President, China Life
Change is Imperative

The lack of Agility in its business operations has become the bottleneck for China Life’s continuous growth amongst the increasingly fierce competition. As in the case of other rapidly-growing insurance companies, the major reason that hinders the business operations from flexibly adapting to the market changes is that IT development lags behind. Historically the IT system had passively responded to the rapid market change for a long time. However, corporate management has always changed, so causing conflict with IT lagging behind management. After identifying the problem of IT lagging behind, China Life realized that only advancing IT strategic planning and implementation can solve the problem and sharpen its competitive edge.

“We find, the core competitiveness of life insurance companies needs to be correctly delivered through IT,” said Mr. Wan Feng, Vice President of China Life. On August 8, 2003, China Life officially launched the IT Strategic Planning Project and invited public bidding. As the Project was essential to the company’s future development, China Life took great efforts to balance between long-term planning and practical implementation. For this reason, it raised three standards for evaluating the IT planning:

• Whether it includes a future-proof guidance principle, which is an important factor to judge whether the plan would adapt to the future or not;
• Whether it can offer a reference model with the combination of international and local best practices and China Life’s reality;
• Whether it has a feasible solution.

After the rigid and careful selection by China Life Expert Group, HP Consulting beat its rivals and became the selected partner of China Life to develop its IT strategy.

Why Choose HP

HP’s success against fierce competition can be attributed to its comprehensive advantages in solution, implementation experience, and professional consultants. These facilitated setting up the future IT strategy, architecture, and implementation roadmap for China Life. The key factor lies in that the Adaptive Enterprise promoted by HP aligns well with the demand of China Life. Just for this reason, the alignment seems to be so natural. With the focus on the enterprise’s future development and consideration of the ever-changing external environment and internal uncertainty, the Adaptive Enterprise initiative assists China Life in establishing an IT architecture adaptable to the future business demands. It saves enterprise investment in long term and allows the enterprise to invest as it grows. In addition, HP brings very significant past experience in helping insurance and financial enterprises plan and implement IT strategy worldwide, and within the Asia-Pacific region. All of these compelling advantages greatly appealed to China Life to select HP as its partner for this project.

A Leader Facing New Challenges

China Life Insurance Company Limited enjoys clear leadership in the rapidly growing life insurance market in China. The publicly listed business of the financial giant generated an annual turnover of RMB135 billion (approx USD16 billion), accounting for 45% of the life insurance market in China. It has 35 provincial subsidiaries, 348 second-level subsidiaries, 2,667 county subsidiaries and 14,300 sales offices nationwide. In addition, there are many professional insurance agents and insurance broking companies providing intermediary services for the giant. China Life successfully went public on both New York Stock Exchange and Hong Kong Exchange in December 2003, making it the first Chinese financial enterprise to list in both the United States and Hong Kong. China Life funded USD3.5 billion when going public, which was the world’s largest IPO in 2003.

China Life enjoys great advantages from its large size. No rival is likely to immediately threaten the giant’s leadership; however, China Life recognizes the competitive threats and realizes the importance for continuous growth in the rapidly-growing Chinese insurance market.

Mr. Wan Feng summed up four existing challenges for China Life:

• Higher requirement for cost and risk control for China Life from the international capital market after the company went public;
• Higher profit requirement from shareholders;
• Better service requirement from customers;
• Most important, the enterprise needs to improve its management level in order to set up a sustainable competitive advantage.

Thus, China Life established a clear strategy: actively respond to market challenge and develop China Life into a leading insurance company in China with international competitiveness.
Adaptive Enterprise Blueprint

In June 2003, HP announced its Adaptive Enterprise strategy. The Adaptive Enterprise can be summarized as a healthy, continuously-growing enterprise with Business and IT synchronized to capitalize on change.

The IT overall strategic planning project specially designed for China Life by HP includes three phases:

**Phase I: Evaluation and Analysis – Complete comprehensive evaluations on business and IT alignment and current IT infrastructure**

Based on Adaptive Enterprise Darwin Reference Model, HP conducted an Agility Assessment Service (AAS) on China Life. It also applied Business Process Management (BPM) and IT Service Management (ITSM) architectures to evaluate China Life’s overall IT operation and management conditions, and evaluate its IT integration based on HP IT Maturity Model.

**Phase II: Planning and Design – Complete designs for IT strategic planning, future IT architecture (including application architecture, data structure and infrastructure) and future IT governance model**

Leveraging the Adaptive Enterprise model, HP helped China Life build IT Strategy, including:

- **IT Vision** – Determine the role of IT within the business
- **Enterprise Architecture** – Realize the standardization of design for application architecture, data structure and infrastructure
- **IT Governance Model** – Establish the management and control framework

The overall strategy was based upon the alignment of business with IT and the enterprise architecture. It adopted four key design principles: Simplify, Standardize, Modularize and Integrate, to ultimately attain the goal of the Adaptive Enterprise.

**Phase III: Implementation Plan - Complete the implementation project definition and timetable, as well as the early evaluation of implementation effects**

The key challenge at this phase was to balance between short-term need and long-term goal. For the consideration of the changeability of practical operation, China Life adopted a walking-on-two-legs principle to guarantee the plan implementation:

- Existing IT system continues to support the stable business operation, to maintain the smooth migration of the overall business;
- HP and China Life will spend 3 to 5 years to implement IT strategic plan in 4 phases.

The above-mentioned strategy’s goal is to ultimately create the core functionality in the medium term and win sustainable competitive advantage for business in the long term.

**Green IT Ecosystem**

“A new concept stemmed from the cooperation between China Life and HP on implementing IT strategic planning, i.e. leveraging HP Adaptive Enterprise Model to support China Life’s adaptive IT technology and jointly build a green IT platform system, China Life’s own green IT ecosystem.”

– Mr. Liu Anlin, General Manager of IT Department, China Life

The green IT ecosystem here refers to a self-adjusting system to some extent. While planning and building IT system, an enterprise is able to consider the changes on operation and management, make some prediction on the possible changes in the future, and thus build a specified management and control system. “Our vision is to make the insurance company more reliable. To establish an IT system that facilitates management and our providing more satisfactory service to customers is our ultimate goal,” said Mr. Liu Anlin, General Manager of IT Department of China Life.

The ultimate implementation of IT overall strategic planning by HP and China Life will set up this green IT ecosystem, actively provide support for business development and better satisfy the future business demands. All these help to continuously enhance China Life’s operation and management as well as sustainable development capabilities, improve its capability of rapidly responding to the market changes and providing customers with excellent services, promote the capability of adapting to uncertainty and controlling risks, and thus finally upgrade its core competitiveness and further insuring that China Life will be developed into a comprehensive and diversified international insurance (financial) group.