

Scaling up a transformation

An interview with
Eureko's Jeroen van Breda Vriesman

A member of Eureko's executive board describes how the Dutch insurance group transformed its health division to respond to government reforms.

Eureko, a large insurance group operating in the Netherlands under the Achmea brand, faced a tough decision in 2006. The Dutch government had implemented radical market reforms that fused a partly public, partly voluntary and private system into one mandatory national health insurance program executed by private insurers. Amid uncertainty about future cost and premium levels, many stock-listed companies opted to leave the health insurance business.

Achmea, which had grown during two centuries of mergers between mutual insurers, faced a choice of either exiting health insurance or going into it big and competing on quality to win substantial market share. “We decided on the latter because we were good on the commercial side,” explains Jeroen van Breda Vriesman, Eureko’s executive board member responsible for the health division and for group information management and technology. “So we went in, although we knew we would be losing a lot of money in the first year.” The company launched a “lean” transformation of its health division, which went from a loss to profitability in three years, and then started to scale up that transformation across Achmea’s nonlife, life insurance, pensions, and other activities in 2008.

Van Breda Vriesman recently talked with Peter de Wit, a director in McKinsey’s Amsterdam office, about the importance of a compelling vision and of engaging the right leaders at every level when scaling up a transformation from 2,200 staff members in the health division, with the plan to involve more than 20,000 employees ultimately.

Health International: *Why did Achmea launch a transformation of its health division in late 2006?*

Jeroen van Breda Vriesman: Liberalization was a great challenge for all health insurers. Our offensive strategy worked — we gained a lot of market share — but we knew we would face two tough challenges. One was to fix our profit-and-loss numbers and meet our budget in the coming years. The other was to play the role envisioned by the legislators: to improve the health system in terms of better quality and prices. Going from one market system to another is a big shift for a company, but it does create a strong sense of urgency and it can be a driver for organizational changes.

Health International: *Where did you start?*

Jeroen van Breda Vriesman: We started with profit and loss, and that meant transforming our operations, including customer care and the front and back offices, which now had to cope with a much larger customer base. Even before liberalization, our operations performed below their potential. They were not meeting cost benchmarks. The administrative process itself had become more important than the customer. We hadn’t been thinking in terms of continuous improvement, and we weren’t giving employees the power to really improve their way of working. All that had to change.

Health International: *What role did strong leadership and the lean concept play for changing mind-sets and culture?*

Jeroen van Breda Vriesman: Having really good people in all the right places was the prerequisite for the success of the program, which we named “Sens” (Samen Effectief Naar Succes) in our internal communications. In Dutch, that’s an abbreviation for “together effectively toward success.” Starting at the top, we identified existing managers with the right mind-sets and put

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them in positions that were critical for the change effort. We also trained managers who were under-performing or lacked the required mind-set. Occasionally, we hired external staff for certain tasks.

Interestingly, two of the division’s general managers approached the task in different ways. One set out to improve efficiency, focusing on culture and behavior, without the help of lean experts. The other general manager put a lean system in place and this helped him achieve results, including cultural change. Both of these managers met the 25 percent efficiency target. The only problem was that we couldn’t duplicate the improvement achieved by the manager who did it on his own. But we were able to ask the manager who

was using lean to help others implement it in the same way. That has proved to be the beauty of lean. It helps you to continuously improve your company in a very systematic way.

Health International: *What more does it take to truly change mind-sets and behavior?*

Jeroen van Breda Vriesman: Strong top-down leadership is very important, but it’s not enough. You must also have a vision and a strategy that explains to people why they are working according to lean principles — that it’s not only about meeting a budget, that it’s actually about creating a better company. With a vision — one that employees trust — you can make incredibly big changes in a short time. Without this vision, if you push lean just as something top management wants, it will probably not be around for more than a couple of years.

Health International: *How did Achmea create the vision and strategy for its health division?*

Jeroen van Breda Vriesman: More than 400 managers and key players in the division were involved. This process was important because doing it together created a sense of common ownership. This made it easier to



Jeroen van Breda Vriesman



Education

Earned a law degree from the University of Utrecht

Career highlights

Achmea

(2004–present)

Member of the executive board of Eureka (2008–present)

Chairman of the Achmea Zorg (Health) Division (2006–08)

Chairman of the Occupational Health Division (2004–06)

communicate across the division why things had to change and in what ways.

Health International: *What are the key elements of the vision?*

Jeroen van Breda Vriesman: The most important element is that we decided we wanted to be a health insurer simply because we care about the health of our customers. As a company with a cooperative background, we put our customers first. In doing so, we balance the interests of the four stakeholders we identify in our organizational model: customers, shareholders, business partners, and employees.

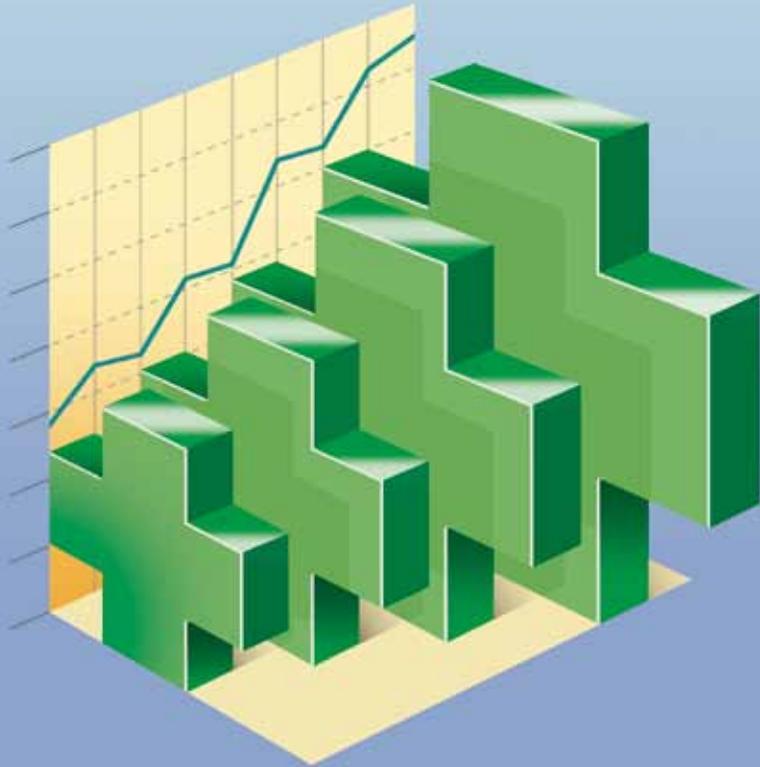
That, in turn, means that we must care about the cost and quality of the health system so that it becomes truly sustainable, which benefits us as well as our customers. This was the key driver for our people to accept the lean principles. Second, we believe that health care will improve

only in a partnership between the insurers and the providers. That's why we are now supporting the implementation of lean at our providers — for example, the hospitals that we work with. Success means a better quality of care for our customers and higher efficiency for us. Third, the prerequisite for succeeding with this vision ...is that people trust us.

Health International: *What do you mean by trust?*

Jeroen van Breda Vriesman: We mean that people in our company need to trust themselves, players within teams have to trust each other, and teams also need mutual trust. This is very important for lean because if teams don't trust each other, they will end up duplicating work.

It goes without saying that our customers need to trust us. So we have performance indicators that measure how sales teams trust each other and



how our customers trust Achmea overall, as well as its separate brands. It's also important to learn how we can improve that trust. Finally, we have begun to measure how health care providers trust our company.

Health International: *How do you measure the impact of the lean program in the health division?*

Jeroen van Breda Vriesman: We measure it in three ways. One is financial impact, which, by the way, is not only costs but also turnover in terms of gross written premiums, because you get more of that when you deliver better quality. The second thing we measure quite frequently — every two weeks on teams where we implement lean — is employee satisfaction.

Typically, satisfaction drops in the first six to eight weeks because employees need to get used to the new way of working. Satisfaction levels then stabilize and are usually higher one year into the program.

Customer satisfaction is, of course, a critical metric. We measure easy things like the number of mistakes we make, the number of letters of complaint we get, and so forth. But we are now also looking at ways to assess behavioral changes among our customers. We want our customers to stay with us longer, buy more products, and recommend us to people they know. By measuring this, we believe we can really prove the importance of continuous improvement.

Looking at customer satisfaction, the results have been enormous in the health division — we've seen improvements of 50 to 60 percent. What astonished me was that the results in the first year were so good. Now every year, we see a 5 to 10 percent improvement in efficiency, mainly in terms of lower costs and higher employee and customer satisfaction.

Health International: *Turning to the company-wide transformation, what was the case for change?*

Jeroen van Breda Vriesman: Because of the success in the health division, we decided in the summer of 2008 to implement lean across Achmea. Then, the financial crisis hit our industry, which created a sense of urgency and added momentum to the effort. We did something that I'm really proud of: we budgeted only the costs of the implementation. We didn't put the potential efficiency gains in our budget. Why? Because we wanted continuous improvement to be the main topic of discussion — not just meeting the budget.

Change in behavior, change in culture, that's the key. And you don't change culture just by saying, "Meet this budget." You need a different approach. Lean — continuous improvement — is an important part of this story because by changing your company in small steps, you can look back after two years and find that you've made a huge leap. When people in our company know their customers, know how to change processes, and are used to change, they can do bigger things more easily, such as develop new products or implement a new IT system.

Health International: *Compared with the health division, what was the greatest challenge in tackling a company-wide transformation?*

Jeroen van Breda Vriesman: Changing a whole company with 20,000 people is very different from changing one division with a staff of 2,200. Because there are so many managers involved, it is harder to make sure you've got the right people in the right places, which is crucial for successful implementation. In some of the cases where we are meeting some resistance, the problem is management capabilities and mind-sets.

Health International: *What is the key to getting senior managers really excited and committed to a big transformation like this one?*

Jeroen van Breda Vriesman: It's very important they understand that continuous improvement is not a program with an end point. It's about coming to work every day with a new mind-set. To understand and really feel that distinction is very important. You can almost see in the results whether top management is implementing continuous improvement or just implementing a program. There is no silver bullet to make this change happen. Every manager

is different. Some are most excited by changing the culture, some by achieving certain metrics. You have to pull all the levers — good people, better strategy, spend time on culture and behavior, push on results, and discuss every day, week, month, and year. It's a marathon, not a sprint.

Health International: *Looking back at the transformation effort so far, what are the key lessons?*

Jeroen van Breda Vriesman: There are two important lessons. One is to take great care to select and train the right people, because success is so much about good leaders and good people. Almost every time we had a problem, it was essentially a management challenge. The second is about sequencing — first a vision and a strategy and then implementation of lean. Without a vision, people tend to think that lean is simply about reorganizing and cutting costs.

Health International: *Looking ahead five years from now, where do you see Achmea?*

Jeroen van Breda Vriesman: We will be implementing our strategy faster; we will have better consumer insights, products, and IT systems; and we will be working better with our customers. All this delivers real value to our customers, shareholders, business partners, and employees. At the end of the day, the concept of continuous improvement puts the employee first as well. She or he has the chance to implement her or his own ideas every day. That's a great way to work. ○

Peter de Wit, a director in McKinsey's Amsterdam office, conducted the interview. **Marc van Rooijen**, a director, and **Arne Gast**, **Edwin van Bommel**, and **Jasper van Ouwkerk**, all three principals in that office, made important contributions to this interview.