



## THE RACE FOR NEW E-BUSINESS MODELS

### Abstract

In 1999, Allianz recognized that it was lagging in its e-business activities and needed to speed up its efforts in order to counter the attacks of aggressive competitors. Dr. Friedrich Wöbking, a Board member of two major business units, took the lead. He shaped the overall context for the generation and implementation of new e-business models and vigorously pushed the initiative forward. An internal competition between two project teams was installed where the two teams sought after the best new e-business ideas. Having reviewed numerous alternatives, several new e-business models emerged. They received the approval of top management and the team was equipped with critical resources. During the following months, some models proved problematic and were put aside, while others met or even exceeded expectations. At the end of 2001, Allianz was again positioned to lead the market. However, most managers were well aware that this was only the beginning and that they must carefully nurture and strengthen these "seeds of change" spreading through the firm.

This case was written in co-operation between University of St. Gallen and the Allianz Management Institute by Dr. Christoph Lechner, Karolin Marx and Prof. Dr. Müller-Stewens (all University of St. Gallen). It is intended to be used as a basis of discussion rather than to illustrate either the effective or ineffective handling of a business solution.

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"Great! They really recognized the work we did!" This is the spontaneous reaction of Dr. Friedrich Wöbking, member of the board of Allianz Property & Casualty and Allianz Life Insurance (two major business units of the Allianz Group). Returning to his office after having lunch with colleagues in a charming Munich "Biergarten" on a sunny day in November 2001, he sees the newest report of Forrester, an influential international research firm. His attention is immediately taken. Only eight months ago Forrester complained in a report under the heading "*Allianz must power up its net offering*" that Allianz would neglect the opportunities of the internet, rely on its traditional sales channels, and risk being outpaced by more agile competitors. Now he reads: "*Allianz moves into the fast lane. ... Forrester advised the insurance giant to speed up its internet activities ... Since then a lot has changed. There is no doubt now that Allianz Group has the concepts ready to lead the market with innovations in the age of internet as well.*" (*The Forrester Brief, August 2001*).

With a satisfied smile on his face, Friedrich Wöbking puts the article aside, leans back in his chair and reflects on the last months. "Yes," he thinks, "a lot has really changed and it is good to know that our efforts to catch up with the developments - without being too early - have been respected." The fear that this problem in the eyes of the capital market could have a negative influence on Allianz's share price seems to be overcome for the moment. He recalls that at the beginning of 1999, just a few dispersed e-business activities emerged in individual Allianz businesses. Experience with the internet among managers and employees was quite low. Most people had only a limited understanding of the business implications and often they lacked the required technical skills. In fact, the internet was considered with a large degree of skepticism. Statements such as "the internet will cannibalize our business," "it is too expensive and will never be profitable," "why do we need all this high-tech stuff - we are selling insurance," or "why should we listen to the idle talk of all these analysts, they do not know our business," were frequently heard.

Despite these hurdles, Allianz has been able to establish a common internet presence throughout the whole group. Coherent web sites have been developed and customer access to the different businesses of the group has been significantly improved. One initiative to generate new e-business models has led to several innovative undertakings, which are already partly launched. However, Friedrich Wöbking is well aware that Allianz Group is still at the beginning of its e-transformation. Although the first steps have been successfully taken, he knows that major challenges still lie ahead. The potential of the individual business models has to be tested in the marketplace, and further challenges within the group must be dealt with. One question especially bothers Friedrich Wöbking: "*How can we keep the momentum that we have built up over the last few months? How can we make this initiative relevant for all our businesses? How can we avoid falling back when the first setbacks occur? And how can we use our experiences for the next tasks?*"

## **ALLIANZ GROUP**

The Allianz Group ([www.allianz.com](http://www.allianz.com)), headquartered in Munich, is one of the leading financial service firms in the world. With its seven divisions, it operates in areas such as property and casualty insurance, life and health insurance, retail and private banking, investment and corporate banking, and asset management (see Chart 1). The Group today operates in about 80 countries with more than 300 companies. Alone in the insurance business, the Allianz Group achieved a turnaround of about 70 billion Euro, with 55 percent of the total premium income in property and casualty, and 45 percent in life and health insurance. Total assets under management reached 700 billion Euro.

Allianz Group was founded in 1890 in Munich (Germany). It started out with property and casualty coverage, and expanded in 1929 to the life and health insurance market. Over the years it became the dominant firm in these businesses. Its focus remained on the German market; foreign acquisitions were limited and selectively pursued. That changed in the 1990s, when Allianz steadily increased its international presence. According to the motto "global presence through local companies," the immense growth and geographical spread of these years was reached through a number of key acquisitions. These included firms such as AGF (France), Fireman's Fund (USA), Cornhill Insurance (England), Elvia (Switzerland) and RAS (Italy) - all key players in their local markets. Also, Allianz

entered the asset management industry and bought firms in that field such as Pimco Advisors (USA) and Nicholas Applegate (USA). The move towards international and business expansion reached its climax when Allianz merged in 2001 with one of the largest German banks, Dresdner Bank, adding retail, private, corporate and investment banking to its portfolio of businesses, as well as significantly strengthening its position in asset management. The integration of both companies is also a step toward a greater bancassurance understanding of its core business.

### EMERGING E-BUSINESS ACTIVITIES

As with most insurance companies, the internet and the corresponding e-business trends posed major challenges for Allianz. Before the middle of the 1990s, the insurance industry was dominated by well-established "classical" insurance firms. These performed their business in a vertical integrated form, executing activities such as product development, marketing and sales, underwriting, operations, claims regulation and asset management. The industry was strongly regulated and state-owned agencies monitored the behavior of the different market players.

With the internet-hype, starting in about 1995, new competitors entered the market. Their main focus was to gain market share from the "old players" through attractive, e-based offers. Dotcom brokers and insurance start-ups popped up all over the place, claiming that they had significant advantages in comparison to the old dinosaurs. They argued that they possessed abundant technical and internet specific know-how which was missing in the classical firms; that they were able to offer the traditional services much cheaper, as they were not burdened by huge sales and operations departments; and that they could improve access and distribute information and services much easier and with much lower transaction costs to their customers.

Faced with this competitive threat and confronted with increasingly critical voices out of the capital market, Allianz starts to consider its options. Some people at the headquarters explore the possibility of initiating company-wide e-business activities. An informal team gathers to examine internet opportunities and potential strategies for the firm. Soon, however, the team runs into problems. It has difficulties acquiring the necessary resources and gaining support for its novel ideas. Its proposals are considered with skepticism or direct rejection. Again and again the following arguments are heard:

"The position of Allianz in the 'offline'-world is much too strong. Emerging online providers can hardly win a lot of our clients as we serve them well." Or: "Internet activities will cannibalize our business. We have reached our position by relying on our exclusive and highly profitable sales channel of local agents, the famous 'Ausschliesslichkeitsorganisation' (an agreement which prohibits the sales agents of Allianz to sell insurance policies of other firms as well). If we circumvent these agents, we will risk losing them. Why should we do that?" And also: "Investing in e-business will not make sense for our firm. It is highly questionable that such activities will ever be profitable. Just consider the huge amount of capital such ventures require. We should regard the internet as a trend that will pass by and not affect our dominant position." As one manager concludes:

*"Up to this point in time, internet activities within Allianz were regarded more or less as playing around, or as a local play ground, supported by the argument that it will not pay off." (Dr. Thomas Heinrich, Group Development)*

Consequently, one year later the effort is halted and internet, e-commerce and e-business activities move to the back of the corporate agenda. Only single subsidiaries allocate resources and experiment with the new approaches the internet has to offer.

However, the internet movement does not go away. By 1999, several of the well established competitors have successfully launched major e-business initiatives, and the dotcoms are able to lure away more clients than previously expected. Also, customer demands shift in the direction of the new medium and the financial analyst community urges Allianz to speed up its activities. Allianz slowly loses market share and the pressure to react mounts. After long and intense discussions, at the end of

1999 the corporate board becomes finally convinced that something has to be done. Allianz has to create a significant presence on the internet in order to sustain its competitive advantage in the long run. Friedrich Wöbking gets the assignment to lead and coordinate the necessary actions. The task receives a high priority on the corporate agenda and results are to be presented at the next board meeting in February 2000.

Friedrich Wöbking knows the Allianz Group quite well. After his PhD studies in mathematics and IT at the University of Braunschweig, he began his career in the Allianz Life Insurance AG in 1981. He held several functions in the data processing department of the insurance business, served as an executive of the life insurance subsidiary in Berlin, and became a member of the boards of the Casualty and Property –Insurance and the Life –Insurance in 1995, responsible for “information systems.” People who know him well describe him as a sharp thinker who is able to quickly sort out complex questions. They attribute this to his training in mathematics. Sound arguments and logical proofs are important to him and in the same way he leads his people.

Confronted with the challenge of exploring potential e-business activities for the Allianz Group, Friedrich Wöbking gathers a small team around him. Together they analyze the emerging industry trends and discuss the strategies of their main competitors. They examine what each subsidiary of Allianz has already done or intends to do in terms of general internet presence, as well as business-to-business and business-to-consumer activities. Based on these insights, Friedrich Wöbking and his team outline the future landscape for the group. They recommend the build-up of a company-wide common e-publishing strategy strengthening the corporate identity, an internally focused e-service strategy and an aggressive e-sales strategy for the internet. These goals are organized into an ambitious time frame and specified by milestones. Two weeks before the February board meeting, the study is finished.

Although Friedrich Wöbking is quite happy with the results they have produced in such a short period of time, he nevertheless has the feeling that something important is missing. As he reflects with his team over their recommendations, something becomes clear to him: "With all of these initiatives, Allianz will only close the gap with our competitors, but it will not be able to out-compete them in the marketplace. But is that sufficient for us? Isn't Allianz used and expected to be 'best in class' and at the leading edge of the field? If so, then which more ambitious, innovative undertakings should be pursued?"

Shortly before the board meeting, they find what they are looking for: What if Allianz launches an initiative aiming to generate new business models which neither exist inside nor outside the group? What if some of the best people will work on these models and evaluate their potential? As Dr. Thomas Heinrich, one of the team members, mentions:

*“First we just discussed our homework, issues like corporate identity on the internet, etc. But soon we recognized that homework is not enough to reach the leading position in the internet era. So we decided to look at creating innovative business models that do not exist in the company so far.” (Dr. Thomas Heinrich, Group Development)*

The team is convinced that this suggestion will bring Allianz to a leading position in the internet age, and consequently they add the suggestion to their list. They name the whole study the “Internet Resolution” and create an aggressive time frame for each initiative (see Chart 2). In February 2000, Friedrich Wöbking presents the Internet Resolution to the board. Although he and his team are worried that the initiative of “New E-Business Models” (NEBM) will not be accepted and will possibly be dropped from the list, the board responds very positively to the resolution. They even mention the NEBM explicitly and pledge their full support. Once again, Friedrich Wöbking gets the task of continuing the process and coming up with proposals by June 2001.

## STARTING THE INITIATIVE “NEW E-BUSINESS MODELS”

Friedrich Wöbking is well aware that the competitive pressure is increasing with each passing day. Thus, he needs a process that provides Allianz with excellent business ideas quickly. Clearly, this is difficult to achieve and Friedrich Wöbking knows that he has to employ some unfamiliar measures.

Reflecting on the fact that competition is not only a superior mechanism for progress in the marketplace but also within a firm, Friedrich Wöbking decides to form two temporary teams which will simultaneously work on the development of new business models. Both teams report directly to him. Through internal competition he hopes that a broad variety of ideas will be generated, that the process will be speeded up, and that the members of both teams will be more motivated. This approach is quite unusual for the culture at Allianz. Normally a task is only given to one team and it is expected that this team will then come up with the best possible solution. Duplicating efforts and fostering internal competition is almost synonymous with wasting resources.

Next, two excellent team leaders have to be found. After he speaks with several candidates, Friedrich Wöbking chooses two promising managers, Dr. Thomas Heinrich and Dr. Thomas Wiesemann. Thomas Heinrich has already been a member of the team that developed the "Internet Resolution" – study, and therefore knows the requirements quite well. Previously, he had worked in the asset management division in the United States and is currently assigned to the group development department. Thomas Wiesemann, the other team leader, started his career as an assistant to the CFO, later led a sales force, and is currently assigned to the asset management division where he is responsible for major IT-projects. He has a close affinity to IT-related topics and just like Thomas Heinrich, he has experience with managing projects and leading people under pressure. As Friedrich Wöbking considers it crucial to devote all available time to the new initiative, Thomas Wiesemann stops his current assignment and becomes fully engaged in the initiative. Together with both team leaders, Friedrich Wöbking searches for appropriate team members and helps to convince them to join the initiative. He calls former colleagues and asks them for key people who would fit the project. He looks for people with either a strong internet interest or a profound general business approach.

However, Friedrich Wöbking is not sure that Allianz has all the knowledge and capabilities required for the job. He decides to hire external consultants to support both teams with internet-specific knowledge. In order to find the best ones, he conducts a “beauty contest.” On March 8, six consulting firms are invited to present their approaches. The consultants have to explain how they would generate new business models and which possibilities they consider especially useful. As Clemens Wagner, the assistant to Friedrich Wöbking, recalls:

*“If we would have taken just one consulting firm, the risk would have been very high that they would just present us with their standardized program, which we cannot compare. That was the idea here, to require them to compete, which forces them to really think about their ideas and to be creative. If we would have taken just one, the probability that they would cover only those issues we tell them and that they would reuse their experience gained in other industries would be high. If you take several firms, they have to be creative and think about something new. Thus, we can get more out of the consultants and the process gains momentum and does not stand still.” (Clemens Wagner, Assistant of Dr. Friedrich Wöbking)*

After the “beauty contest” three firms are chosen, namely IBM, McKinsey and IconMedialap. IBM is perceived as having a pragmatic implementation-oriented approach, McKinsey brings the strategic orientation and IconMedialap excels with their internet-driven focus. Thomas Heinrich chooses McKinsey and IconMedialap to support his team, while Thomas Wiesemann prefers to work with IBM.

It is clear that the overall strategic vision of the project is the generation of new strategies for e-business models that should be both interesting for the clients and also embody the company's competencies, financial power and brand. In addition to this overall description, Friedrich Wöbking develops a list of some basic questions, which the teams must answer during their work. The questions serve as guidelines to keep the teams going in the right direction. They are:

<ul style="list-style-type: none"> <li>• Who is the target customer group?</li> <li>• What is the product range?</li> <li>• What is the preferred local presence?</li> <li>• Is it a vertical or horizontal model?</li> <li>• Are existing channels integrated?</li> <li>• What is the underlying IT?</li> </ul>	<ul style="list-style-type: none"> <li>• What is the time frame?</li> <li>• What is the appropriate branding strategy?</li> <li>• What is a potential partnering strategy?</li> <li>• What is the investment perspective?</li> <li>• What is the business plan for each model?</li> <li>• Greenfield or in-house development?</li> </ul>
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Further, Friedrich Wöbking establishes a steering committee consisting of members of the corporate board. Their duty is to guide both teams and monitor their progress on a regular basis with the help of a detailed time frame and predefined milestones (see Chart 3). Six weeks are scheduled for the phase of concept generation, four weeks for the strategic evaluation of the single models, and three weeks for a detailed business plan. The commitment of the board is crucial for the team members, as it shows to them that their work is regarded as highly important, now and for the future of the group. As one team member says:

*“The clear statement of the CEO, Dr. Henning Schulte-Noelle, and the board, that they support the new business-models, has provided major impetus for the initiative. If this would not have been the case, we would not be at the point where we are now.” (Dr. Ralf Schneider, Head of E-Business, Germany)*

Through the strong involvement of the steering committee and their input on the single business models, the motivation and commitment of both teams is continuously nurtured. An intense exchange of opinions and long-lasting, forceful discussions are the result. A final meeting is scheduled for June in front of the board and the CEO, Dr. Schulte-Noelle, where the best business models will be presented. Again, such an event is unusual for Allianz and increases the significance of the project among both board and team members. Shortly before the meeting, Friedrich Wöbking communicates to both teams certain criteria that he considers crucial for a successful selection by the board. Besides quantitative measures such as the net present value of a business model, or estimates of best and worst scenarios, these criteria include such areas as integration of different customer needs, fit to current capabilities, time to market, and degree of risk.

## GENERATING NEW IDEAS

In March 2001, both teams are ready to start their work. Although the outline of the process has been broadly defined by Friedrich Wöbking, the teams accomplish their task in quite different ways.

### The Approach of the Team of Thomas Heinrich

In the first meeting of his team, Thomas Heinrich recognises that for most team members it is quite difficult to look beyond their traditional way of thinking shaped by their previous experience in the insurance industry. He has the impression that thinking “outside the box” requires a creative, boundary-breaking approach that is not impeded by the dominant logic of the insurance business. In order to foster such behaviour, Thomas Heinrich takes his team to a hotel offsite for a few weeks, thus limiting contact with the daily business, and providing for a more conducive environment in which to work. In subsequent brainstorming sessions, a wide variety of new ideas is generated. First, the team takes the customer perspective and explores which needs will probably exist in the future and how any kind of financial service provider can offer solutions to them. Then a company perspective is taken, and the changes such developments would imply for Allianz and which parts of the value chain would

be mostly involved are outlined. IconMedialap supports the process by acting as a moderator and as a provider of new insights. As these weeks are stimulating and challenging for the participants, the team is able to generate about 90 ideas for new business models, some of them highly controversial, some of them quite unrealistic, and some of them promising.

After this first phase, the team proceeds by systemising and clustering the different ideas. Now McKinsey comes in and helps the team to structure and evaluate their “wild” and, as one team member calls it, “revolutionary” ideas. One major topic during this phase is the relationship between the existing capabilities of Allianz and the new ideas. Some think that a high compatibility has to exist with the culture and knowledge of the firm, while others see especially in deviations the immense potential. The team also analyzes which business models can already be found in the marketplace and compares them with their suggestions. As they try to recognise patterns, three basic segments of e-business models emerge: The first segment is called new internet-related insurance products (web-enabling), the second new horizontal business within the insurance industry (silvering), and the third transfer of existing strategic assets into new businesses (new businesses). The team classifies the previously created ideas within these three segments, and as not all business models fit the structure, they eliminate the deviating ones, reducing their ideas from 90 to 60.

However, 60 ideas are still too many. Friedrich Wöbking has given the directive of only proposing the three best ones. Thus, the team has to screen and evaluate its work again. After some discussion, Thomas Heinrich proposes to run three subsequent selection processes with varying criteria. In the first run the selection criteria shall be defined in a broad way, while in the following processes the criteria shall be increasingly narrowed down in order to find the most valuable ideas. Following this proposal, the team continues. First, they employ criteria such as the estimated economic value added and the general plausibility of the models, and thus eliminate 30 ideas. Then they examine the affinity of the models to the company. Is the idea a winning model for the whole industry? Does Allianz have a natural ownership for it? Is it strategically important for the group as a whole? Using these criteria, 21 ideas are excluded from the list and only 9 survive. As even that is not yet sufficient, they undergo a third selection process, now using criteria such as market potential of the model, natural ownership/defendable competitive position, strategic relevance, urge for action and innovativeness (see Chart 4). Finally, they streamline their list down to the desired three and choose the ones that they now perceive as the most valuable. As they have only two more weeks before the presentation in front of the board, it is not possible for them to specify the details of each business plan. They agree to proceed with rough calculations and to deliver more information at a later stage when needed.

### **The Approach of the Team of Thomas Wiesemann**

Almost at the same time, the team of Thomas Wiesemann starts its work. It hires several IBM consultants who are quite experienced in the e-business domain and can bring a lot of knowledge to the project. As Thomas Wiesemann knows that the consultants have a significant knowledge lead, he decides that first a profound knowledge base about e-business has to be reached by the team. With the help of IBM, several promising e-business models in the marketplace are carefully analyzed. Then the team examines the core competencies as well as future challenges for the Allianz Group, thereby gaining insights about its relative strengths and weaknesses. Further, the team investigates all current e-business initiatives under way in the single subsidiaries, and examines how they can be employed for their own undertaking. Only after this thorough analysis does the team conduct several brainstorming sessions and generate about 80 different business ideas. Again, 80 ideas are too many and a selection process is necessary. It is decided that as a first step, the different ideas shall be reduced to about 10. The team agrees on several selection criteria, which are supplemented by questions to ensure that the whole team has the same understanding of the single terms. These are:

- Does the business idea improve our customer relationships?
- Does it expand our customer base?
- Can it sustain profitability in the long term?
- Does it improve our competitive advantages?
- What is the ease and speed of implementation?

Based upon these criteria, 10 promising business ideas are selected (see Chart 5). During the subsequent discussions, one team member raises the question of whether it would not be smart to evaluate the robustness and general applicability of the models by doing a scenario analysis. As the team agrees, they develop four scenarios for the further evolution of the e-business movement. These scenarios range from “Sunshine Reggae” to “E-Halleluja,” “Modern Yesterday” and “Take What You Get” (see Chart 6). Within these four scenarios, they subsequently position the remaining business ideas and get a well balanced picture of the future landscape. As they want to have a business model for each scenario, they finally choose the four most promising ideas. For each of these they write a detailed business plan with exact calculations and guidelines.

### **Presentation to the Corporate Board**

As the presentation before the corporate board approaches, the excitement of Friedrich Wöbking and the two teams rises. Are the ideas they have prepared good enough? How will the discussion proceed? Which models will the board finally take? How will they fund them? In June, Friedrich Wöbking and the two team leaders fly to Athens, Greece, where the meeting is scheduled. The night before their presentation they walk through the outskirts of Athens looking for a late night drink. Surprisingly, they meet the whole board dining in an informal beach-side restaurant. Together they spend the rest of the evening in a relaxed mood. On the next day, Friedrich Wöbking presents the seven business models to the board and asks for further instructions. The presented e-business models are:

- (1) **Risk Market:** The idea of this business model is to create the dominant online risk-market platform that will reshape the industry by building an online communication and transaction platform between insurers, brokers and carriers. This model strives to reduce the necessary processing costs and offers a real time pricing mechanism. It is targeted for the commercial line segment in the USA, with the possibility to spread it worldwide later on.
- (2) **Workplace Marketing:** This model offers retirement services to employers and employees of large companies through their own intranet. It shall serve as a one-stop shop for retirement planning for employees.
- (3) **Senior Citizen Web:** The target group for this model is people of at least 50 years of age, who are planning for their retirement. As a fast growing customer group, this model offers them targeted products and services in a community centric form. It will encompass five major offerings with high relevance to the community of elderly people, namely wealth management, health/wellness, web-enabling, social environment, and daily needs.
- (4) **Virtual Online Insurer:** The idea of the Virtual Online Insurer is to offer online insurance services for the retail market at aggressive prices. Due to the necessary low cost structure it is recommended that this business model be built as a lean “greenfield” organization free to select internal and external outsourcing partners to help it achieve speed and efficiency.
- (5) **Small Business Network:** This model is focused on small business firms. Through an Allianz-branded web site, these firms shall receive advice on insurance and related issues over their whole life cycle. A network of partnerships shall provide links with the most successful small business sites. It is designed to offer an entrepreneur-focused online channel that attracts and provides leads on the internet which can be submitted to Allianz agents. The plan is to start in Germany and, if it proves successful, roll it out to other countries.
- (6) **European Investment Platform:** This platform shall offer a wide array of investment products (funds and securities) from Allianz companies and third party providers. It is designed as an interactive platform on which local Allianz Group Financial Portals can link themselves. Besides a consolidated view of one’s investment portfolio, it shall include advice on education, tax planning and other financial services.
- (7) **E-Market Trusted Advisor:** This business idea intends to offer checks of credit worthiness for platform operators and trust projects on a B2B-basis. Virtual letters of credit and/or online credit ratings for e-marketplace trade partners as well as commercial insurance for e-market players (e.g., transport and liability) will be offered real-time.



After all the models are presented, an intense discussion ensues. Each model has its advantages and disadvantages, but each of them is also novel and can lead to competitive advantages. At the end, the corporate board surprisingly supports all models and wants them to be processed – an outcome which neither Friedrich Wöbking nor the two team leaders have expected. It is agreed that - again under high time pressure - a team for each single business model will be formed with the task of writing a detailed business plan and starting to build the new venture. A further meeting with the board is scheduled for October, when the progress will be reported.

### **BRINGING THE NEW E-BUSINESS MODELS TO LIFE**

Soon after the board meeting in Athens, the preparations for the market launch of the e-business models begin. Seven teams are formed, with each team eager to prove the viability of its business model and receive further funding (in the following sections, the development of three of these business models is further described - the others are briefly listed in the appendix, Chart 7)

#### **Business Model “Small Business Network”**

Dr. Simone Greiser is appointed to lead the Small Business Network. As she has been a member of the team of Thomas Wiesemann, she is familiar with the peculiarities of the model. Thomas Wiesemann considers her a well-qualified project leader due to her profound knowledge of e-business and her contacts with external firm partners, whose participation is a central element of the overarching strategy.

At first, the team progresses pretty well, but after some time, problems arise. One problem is related to the steering committee, which has been set up to support and monitor the project. Simone Greiser has the perception that the involvement of the steering committee is not sufficient. Its members rarely appear at the scheduled meetings and the responsibility lies solely on her shoulders. Also, she has not been able to find a corporate sponsor or client who would provide the project with the necessary resources. Some things are available, others not. Simone Greiser recognizes that she is not in a position to change the situation by herself. Subsequently, the project lingers for some time without major progress and the first voices are heard recommending its termination. However, shortly before this point is reached Dr. Ralf Schneider steps in. Ralf Schneider is the manager of the e-business department in Germany. This is one of the newly founded regional e-business departments, in charge of order coordination and approval, as well as project and budget controlling for new projects. Ralf Schneider offers to help Simone Greiser. As he recalls:

*“I always told Simone that she needs a client and that she cannot make herself the client for her own project. You need a client who shows responsibility and who really wants to realize the model. As soon as you have one, he will provide you with resources. Finally we solved the problem, by making e-business Germany the client of the project.” (Dr. Ralf Schneider, Head of E-Business, Germany)*

At the end of August, the model is integrated in the e-business department of Germany and Ralf Schneider becomes the official sponsor. As he and his department pour their energy into the project, it gets a second life. Now, sufficient resources are available and assistance is guaranteed. The project comes back on track and Simone Greiser and her team are able to work out a convincing business plan. This plan is presented to the board in October and approved. The next critical task is to gain the commitment of the insurance agents. While the internet-based Small Business Network will facilitate the access to new clients and lure them to the platform, the insurance agents have to close the final deal. Without their backing, the business model will be unable to survive. As Ralf Schneider and Simone Greiser are aware that it will not be easy to convince the agents of the benefits of the project, they travel to various agencies all over Germany and try to get their cooperation through intensive talks. They also ask agents who already offered their cooperation to act as multipliers, helping them to convince their colleagues.

Shortly before the launch of the model on the market takes place, a last, almost deadly challenge arises. Simone Greiser and her team have been so focused on the speedy development of the business

that the technical interfaces with the mainframe servers of the group are not sufficiently tested. The platform cannot be run within the normal IT-infrastructure of Allianz. Under considerable stress, the team looks for a possible solution. Only after substantial reprogramming of the underlying software can the platform be brought in line with the requirements of the Allianz IT-infrastructure. Then all obstacles are circumvented and the Small Business Network is launched in March 2001. In the following months it exceeds its expectations and as a result, plans for an international rollout are prepared.

### **Business Model “Risk Market”**

The idea for this business model came originally from Kevin Brannon, a manager of the Allianz Group in the USA. As he had previously worked as a bond broker, Kevin Brannon had the simple idea to transfer the business model from the brokerage industry to the insurance market. Through his personal contact with Thomas Heinrich, Kevin Brannon was from the beginning involved with the e-business initiative. After the board gives its consent, Thomas Heinrich recommends Kevin Brannon as the responsible project leader and he starts the work, based in the USA.

Kevin Brannon knows that the model will not be an easy sell within the industry. The main risks are the high degree of competition the model will probably attract in the marketplace and the willingness of other insurance firms to participate, as well as its low potential for customer retention. Even if most major insurance companies can be convinced to join the track and offer their services on the integrated platform, potential clients can easily search for the cheapest offer and change the firm accordingly. As a consequence, this will lead to a tremendous cannibalization of Allianz’s business as well – as some executives skeptically remark.

However, Kevin Brannon is convinced that “if you do not cannibalize your own business, someone else will do it” and consequently he pushes his idea enthusiastically forward. Like the other project leaders, Kevin Brannon has to set up his project and gain support. Although the management in the US, where he wants to integrate his model, is much more open to new e-business ideas than in Germany, his proposal still faces only limited acceptance and top management support. However, as Kevin Brannon has a good reputation in the American subsidiary, it is not difficult for him to find qualified team members who can deliver such an undertaking with high speed and efficiency. The fact that the American business community has the worldwide lead in e-business activities further strengthens the project. So, after the first approval in October, by November the team has already outlined the IT-infrastructure and specified the necessary conceptual details of the platform.

Kevin Brannon is well aware that the most critical element of the business model is the entry and integration of other big insurance companies. Only when they participate, will the platform be interesting to potential clients and in a position to offer them a broad variety of products. Thus, in the following weeks Kevin Brannon travels around the US and visits all major insurance firms. Although all of them seem to be interested in the idea and urge him to continue his efforts, they are reluctant to make the first step and commit themselves officially. Between the lines he hears that they are afraid of losing valuable data and clients. After several trials, Kevin Brannon has to accept that the whole process will take much more time than he previously expected.

This bad news slows the project and dampens the enthusiasm of the team. In addition, when an institutional investor that had promised to finance the project backs out in the last moment, the motivation of the team reaches its lowest point. In December, the corporate board recognizes that the milestones have not been met and that it is highly unlikely that the business model will be realized. They give Brannon three more months to continue the process. But as the situation cannot be substantially changed, the board ultimately decides in April of the following year to cancel the project.

### **Business Model “Virtual Online Insurer”**

A precursor of this business model had already been developed by the Australian subsidiary of Allianz. Here the management team faced the difficult situation of an inefficient direct insurance business and concluded that an internet solution would reduce the cost ratio. Dr. Werner Waldner, an internationally oriented German manager who had worked in Indonesia and was currently assigned to Australia, had been strongly involved in this undertaking. When he is asked if he would lead the “Virtual Online Insurer,” he packs his things and moves from Australia back to the headquarters in Munich.

Together with a small team, Werner Waldner starts the project in July. First, they write a detailed business plan and present it to their steering committee. Although Waldner is thankful for the overall support, he feels that some members of the board are skeptical towards the model. They express the concern that the Virtual Online Insurer could cannibalize the business volume of the insurance agents who are widely responsible for the competitive strength of Allianz. After some discussions it becomes clear that this problem exists primarily in Germany. In other countries Allianz does not work with such an exclusive sales channel and therefore the potential risks are much smaller. Nevertheless, Werner Waldner is afraid that the model will be killed if it does not have the full backing of the whole top management team. He decides therefore to visit each board member and discuss with them the advantages and the future potential of the business idea. This move has a positive effect and leads to the continued approval of the Virtual Online Insurer by all board members in October.

As Werner Waldner knows that his model is quite distinct from the normal Allianz way of doing business, he decides to proceed in a “greenfield” approach - as far as possible outside the working procedures of the giant mother organization and with as little as possible organizational integration. His intent is to avoid any major organizational restrictions and duties caused by the formal organization. In order to enlarge his team, he selects experts from all over the world. Besides consultants from IBM from Europe and the United States and independent programmers from India, he chooses skilled employees of Allianz subsidiaries in Eastern Europe and Australia. As a consequence, a truly international team with 40 highly qualified members emerges.

Based on his own experiences, Werner Waldner puts a high priority on the team formation. He knows that cultural differences in terms of work ethic, communication patterns, conflict resolution and behavioral expectations require his continuous attention. So special cultural training is offered, common holidays are celebrated, and an intense communication and interaction pattern is fostered. The team meets regularly to discuss issues related to their cooperation, and professional “translators” and mediators are employed in order to counter upcoming problems. Werner Waldner himself sees his role as diplomat as well as babysitter and cheer leader. Supported by such means, the team develops a fruitful, encouraging working spirit.

This spirit is urgently needed, as the team has a demanding objective. It has to build the whole technical functionality of the model within six months, as the project is scheduled to be launched on April 1, 2001. A major issue is in which country the new model should be launched. While some team members recommend Singapore due to its excellent infrastructure, others argue for Australia, others again for Scandinavia. Although the team concentrates first on Singapore, it soon recognizes that this market has strong limitations. It is neither sufficiently large nor has its population a close affinity with internet-related services. Thus, the team decides to alter its target market and concentrate on Australia, where the internet penetration is already higher than 60 percent. Additionally, this market is familiar to Werner Waldner and other team members.

The team progresses with full speed, however, one month before the planned launch, it realizes that the deadline cannot be met. Technical questions and the functionality of the platform require more time than planned. Two options are available: Either the team waits until everything is perfect, or it goes ahead, launches the platform and deals with the remaining problems afterwards. After some discussions, the team settles for a compromise and decides to go ahead with just minimal functions. It

decides that it is much more important to enter the market at the right time, than to have a perfect technical platform.

Thus, in April the Virtual Online Insurer hits the market. In a couple of weeks about 50 sales are made and the team celebrates the early success. Werner Waldner reports the results to the management board and informs other subsidiaries of the Allianz Group about increases in turnover. In May a slightly modified version of the platform is launched in India and the preparations are met to rollout the Virtual Online Insurer in Korea and Indonesia.

### SEEDS OF CHANGE

For Friedrich Wöbking, the experiences with the new e-business models have much greater implications than most people previously expected. The consequences are not only related to the initiative per se, but also triggered numerous changes across the organization. Friedrich Wöbking is well aware that some of these changes will come to an end, some will progress gradually, while others will have to be enhanced in order to be sustainable.

Most importantly, Friedrich Wöbking and his colleagues have recognized that the process of generating and implementing new business models cannot be based merely on more or less irregular efforts, taking place only when circumstances force them to do so: *"Creating new business models must now be a continuous task for us. It has to be an on-going process."* Allianz has to incorporate a proactive behavior in its normal routines and must institutionalize it accordingly. Specialized people and organizational units are needed to permanently screen new market opportunities, identify and search out innovative business models within the group, and push those possibilities forward with sufficient resources.

Several managers are appointed as e-coordinators, focusing on e-business activities. On the lowest organizational level of the group, which encompasses the major lines of business, these e-coordinators are needed in order to identify and promote potential e-commerce business. They will report to 16 national e-commerce leaders, these again to a company-wide responsible e-center, which then is supervised by an IT-steering committee at the corporate board level. Crucial for this bottom-up generation process will be the e-coordinators on the lowest level. As they have to represent the interests of the single Allianz firms as well as their insurance agents, their "promotion" efforts will mainly decide if a specific new idea will reach top management. Only when they become champions for a new business opportunity, can it be expected that higher management levels will also give their consent.

Further, specialized organizational units are established. On the corporate level, an e-business and group information technology department is installed, setting company-wide standards, executing strategic control activities and offering shared services for the single operating units of the group. Head of this department is Dr. Markus Müller, who has worked for a consulting firm before and had just joined the company for this new position. Markus Müller is exclusively responsible for all company-wide e-business activities and has the task to promote, to select and to examine new e-business models. In order to ensure the continuous process of realizing new innovative business models, Friedrich Wöbking set up a strict plan for Markus Müller, which defines how often and how many new e-business models he has to select and present in front of the board.

This structure is complemented by regional e-business departments on the division and business unit level. We already noted above Ralf Schneider, who was heading the department in Germany. These units have to accomplish tasks related to e-business and IT applications, basic services and project controlling. This encompasses the evaluation and approval of e-commerce investments as well as the budgeting and steering of on-going projects.

New opportunities are not only limited to the internet and e-commerce domain. In each business of the Allianz Group, innovative ideas and market potential can pop up. As a consequence, a new unit called Allianz Venture Partners is founded. This unit shall operate like a venture capitalist and reports directly to the CFO. Its task is to search, evaluate and develop promising business ideas everywhere in the group. Employees who generate such proposals will have the possibility to work on their development. They will be equipped with financial resources, advisory services and facilities such as office space and IT-infrastructure. Additionally, they will be allowed to draw on the rich network of the single Allianz subsidiaries and use them wherever it helps to promote their services. Comparable to a business incubator, Allianz Venture Partners supports and monitors the development of these projects through the different phases of their life cycle.

There are also implications for the employees at Allianz. The “first big jump to the internet era” as one manager recalls, led to a tremendous increase in the skills of people on different levels. Technical know-how regarding web management, firewalls and content distribution has been accumulated; the advantages and pitfalls of the new media have been explored; and e-mail based interactions have been widely diffused. The entrepreneurial spirit at the Allianz Group received an unexpected boost. People realized that the insurance business is not as stable as they perceived it to be. The new technology presented them with changing customer demands and with competitors that aggressively challenge their way of doing business. More than ever they understand now that they have to be actively engaged in developing and nurturing their businesses. As some successful role models now exist for how this can be realized, motivated employees can start to move beyond their normal duties. Knowing that good ideas can receive top-management attention and also knowing that specialized units are available that help them to pursue their undertakings, their level of self-confidence increases. Before this experience, most people perceived it as quite difficult to get the attention of higher management levels for ideas beyond the traditional business logic. Often such proposals were already buried at the start by a responsible manager who could control further progress. Although such events can clearly happen again, there exist now several mechanisms to prevent them. The e-business coordinators, the e-business departments, and Allianz Venture Partners will only be successful if they are able to avoid the premature blocking of such new approaches. Consequently, the established mechanisms have diminished the decentralized management style in favor of a more supportive role.

Further, the attitude towards the steering and monitoring of such initiatives has also altered. Major initiatives were often launched only after a long and careful consideration of all potential benefits and risks. As such efforts required a substantial amount of resources, the different interests had to be finely balanced. “Doing one thing right” and then proceeding with the next one was the dominant attitude. However, it has become clear that especially in the e-business domain, many initiatives have only a certain limited “window in time” before they lose their potential. The market progresses rapidly and internal processes must therefore be significantly improved in order to bring new services to the clients.

Also, in many fast changing market segments it is often not possible in advance, to determine which initiative will finally succeed and which will fail. Putting all its investment “eggs” into one basket is therefore a risky affair. Conversely, spreading them over different ventures and letting the market pick the ones it likes best seems to be a much smarter approach. It is expected that even when some initiatives fail, others will spectacularly succeed, and the overall investment profitability will satisfy the whole endeavor.

However, this requires that initiatives that fail to perform have to be strictly “killed.” For Allianz, that again is a change in attitude. New initiatives that had been started were rarely canceled. Killing a major project when resources and people had already been committed was culturally not accepted and perceived as a failure and an act of mismanagement. If one tried to pull the strings during the process, controversial reactions arose and people lost their motivation. As a result only few new initiatives were pursued and if so, they were progressed, regardless if they were profitable or not. The experience with the new e-business models has changed this behavior. Now the awareness and courage to cancel a running project that fails to achieve intermediary or final targets exists. As Friedrich Wöbking notes:

*“For big projects, new as well as classical ones with high risk potential, we introduce the idea of a ‘ripcord.’ We discuss with the responsible team in advance the milestones where the project faces risky situations. These are the points where we stop the project if it does not fulfill the set requirements. And we reach an agreement about those milestones in advance. This is not at all meant negatively. But we have just learned to look at certain investments a little bit cooler. Earlier, there were too many feelings in the investments we made. Now we have to get the company in that direction, to start such projects with a cool head. In that sense our attitude in the firm has already changed a lot.” (Dr. Friedrich Wöbking, member of the boards of Allianz Property & Casualty and Life Insurance)*

Finally, the NEBM initiative has also had an impact on the strategy of the firm. On the one side, Allianz recognized that in some competitive market segments, innovation and corresponding e-business activities are crucial and have to be sustained. For example, as Workplace Marketing showed, employees of client firms are better able to handle their personal insurance affairs through corporate intranets than the previous load of paperwork. However, on the other side, the importance of the current core capabilities of the firm and the need to protect them against aggressive competitors have been clearly underlined. Based on the knowledge that Allianz has, for example, the biggest exclusive sales channel in Germany and the broadest offer of financial services, the firm has realized that it has neither to incorporate products of other firms nor fight on virtual market places that merely compete on the lowest price. The customers of Allianz continue to value excellent advice as well as fast and generous claim regulation. The name “Allianz,” meaning “alliance” proves the value of superior customer relations even in the internet age.

## **CHALLENGES AHEAD**

Reflecting on these changes, Friedrich Wöbking is convinced that Allianz Group is on the right track. It has captured a leading position in the insurance and financial e-business market, as even Forrester had recognized in its report. However, as the internet hype is seriously dampened and many young competitors are forced to leave the market, Friedrich Wöbking knows that the biggest risk now is to fall back into old habits. He asks himself: How can Allianz keep the momentum that it has built up over the last months? How can it ensure – despite all formal requirements – that the “seeds” continue to grow? What will happen when the recession bites deeper into its business and forces Allianz to make one-sided decisions?

Pondering these questions, Friedrich Wöbking considers possible options. For example, the corporate university could offer training courses in business plan writing or e-commerce. These might also include the more subtle “nuances” of those undertakings such as structuring the process, integrating and leading people, managing external partners, building awareness, and internal coalitions. Then, the flexibility of changing positions within the firm could be improved. People could work for such ventures without major internal obstacles and later return to normal line positions. Management would have to demonstrate its support for such actions and actively promote them. Appropriate incentive systems might be installed. Beside traditional, financial measures this could also include the opportunity to participate at an Allianz Olympiad for the best business plans, meet members of the corporate board and have a presentation in front of them, or to write and distribute articles in corporate journals and radio programs about promising developments. Also, the successful business models could be replicated and leveraged internationally. As Allianz Group intends to lift potential synergies between its business units, the corporate center might add value to its firms through such approaches. International job exchanges would be a logical, supportive step.

Friedrich Wöbking is not yet sure on which of these and other possible options Allianz should focus on. “But as it happened last time,” he says confidently, “we will figure it out - perhaps again in a charming Munich 'Biergarten'.”

## APPENDIX

CHART 1: THE ORGANIZATIONAL STRUCTURE OF THE ALLIANZ GROUP

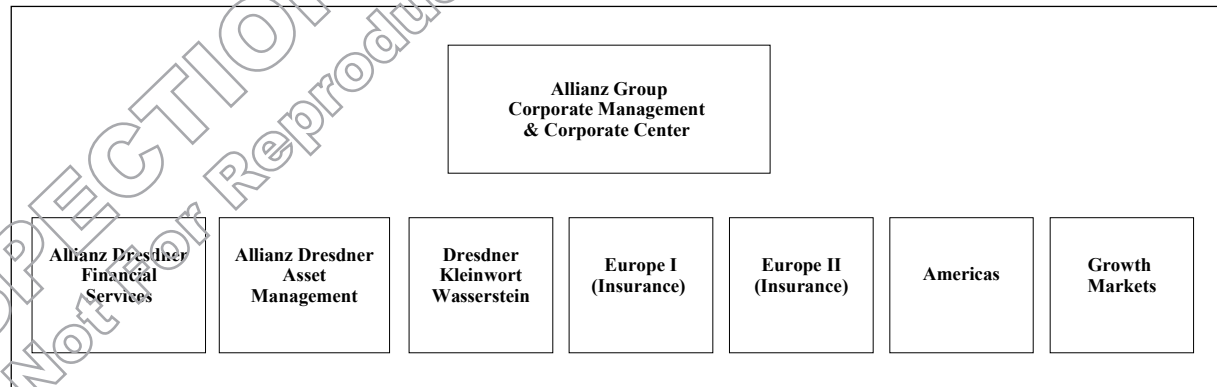
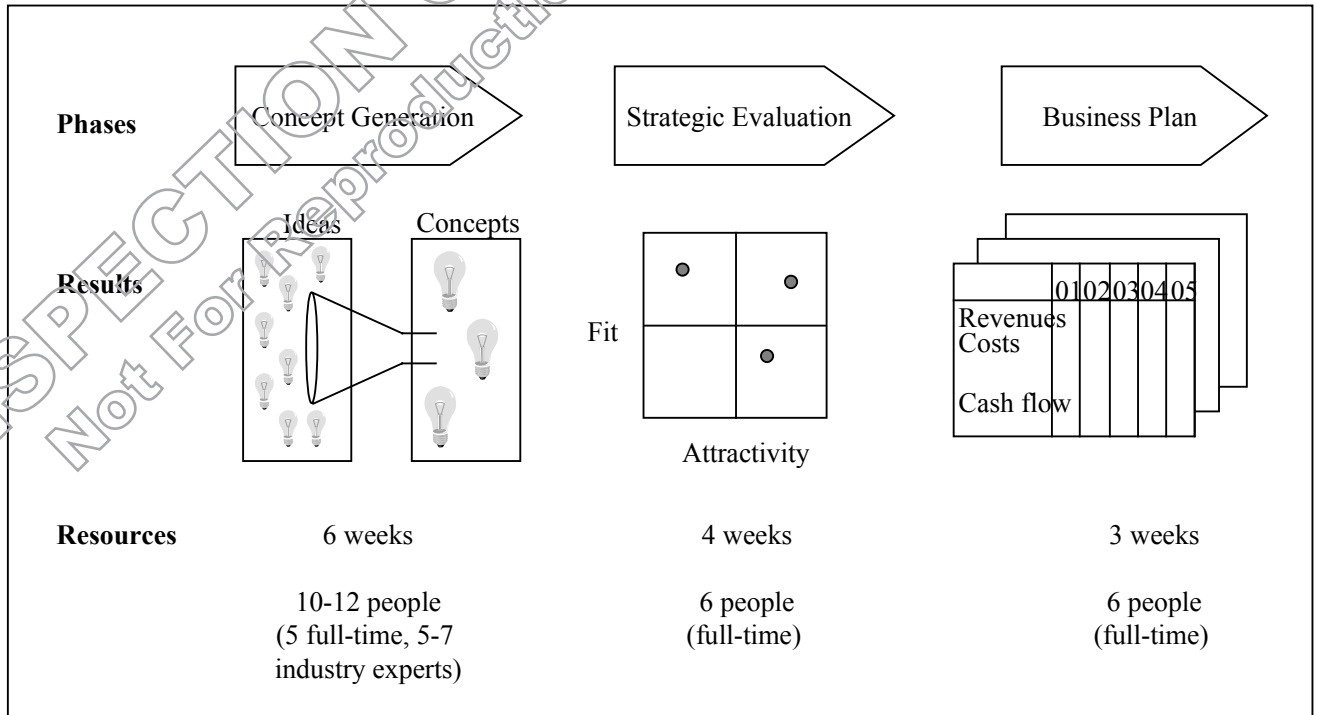


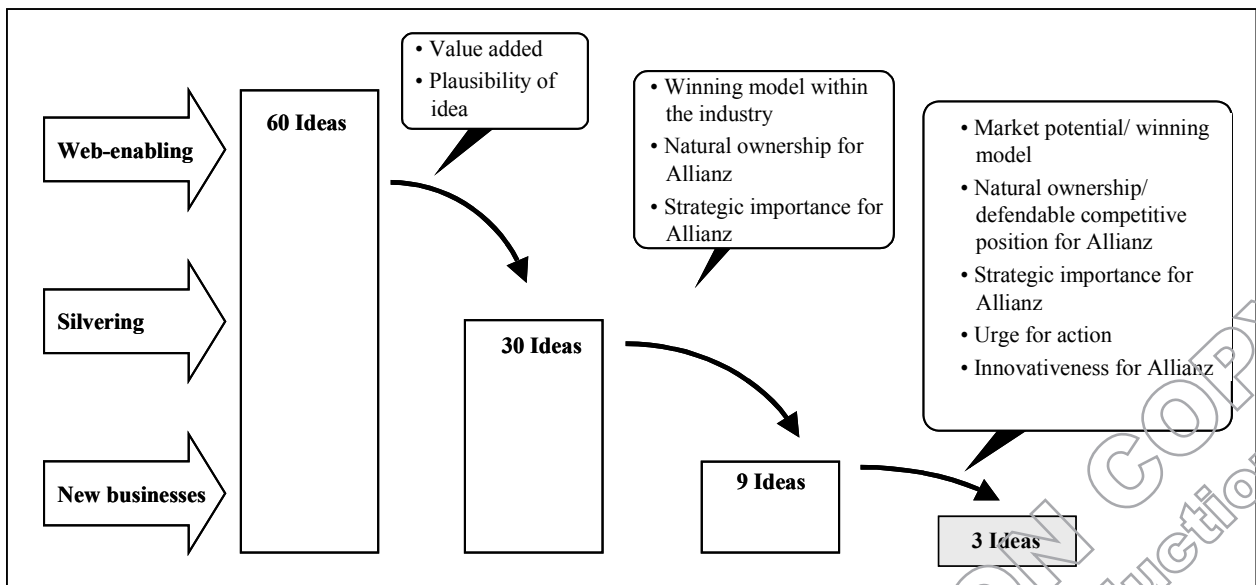
CHART 2: THE INTERNET RESOLUTION

- Common e-publishing for all operational unit web sites following an e-style guide until the end of October 2000: This should be mandatory for each operational unit, but room for local creativity has to be ensured.
- Provide e-service via the channel until 2000: This task means to establish a web site with a single log-in for the customer regarding all different services (life, non-life and asset products). It was required that all operational units had to implement a detailed e-service by the end of June 2001.
- Provide customer codes in due time: This was suggested because the customer code is the basis for offering e-service for insurance products. Further, the expansion into areas like asset management and financial services will require a customer code.
- Develop a group-wide e-style guide until May 2000. The style guide should work as a framework for the design of the web pages.
- Develop group-wide IT standards and quality levels until July 2000. This includes the definition of group-wide quality levels and group-wide security standards.
- Develop new group-wide e-business models until May 2000. In order to achieve a strong and future-oriented market position a strategic selection process has to be initiated

**CHART 3: MILESTONES OF THE NEW E-BUSINESS MODEL INITIATIVE**

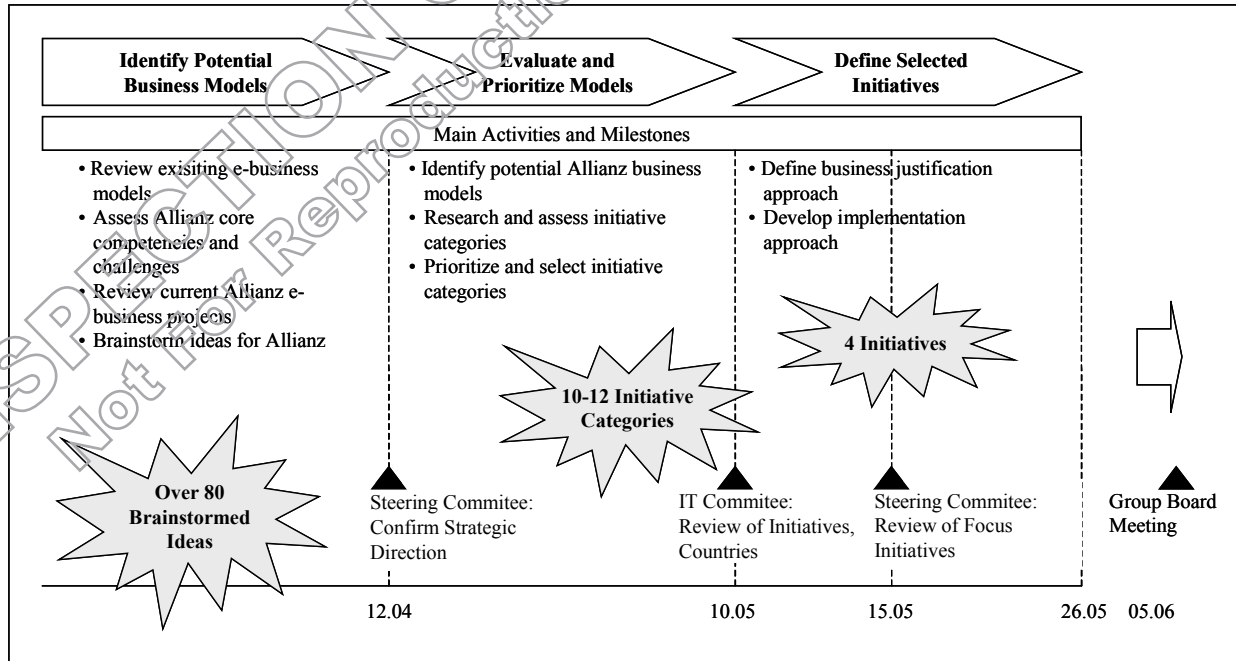


**CHART 4: THE SELECTION PROCESS AT THE TEAM OF THOMAS HEINRICH**

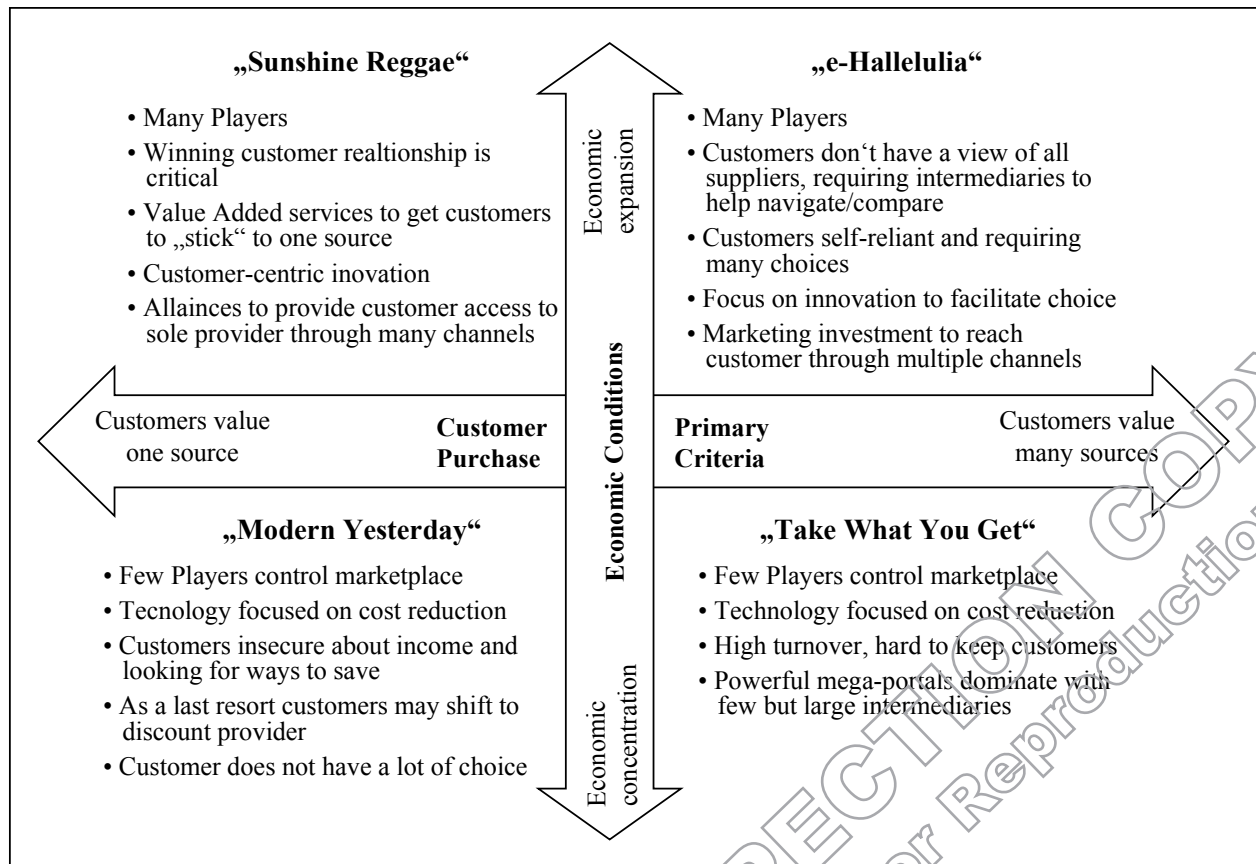




**CHART 5: THE SELECTION PROCESS AT THE TEAM OF THOMAS WIESEMANN**



**CHART 6: THE FOUR SCENARIOS OF THE TEAM OF THOMAS WIESEMANN**



**CHART 7: THE FURTHER DEVELOPMENT OF THE OTHER MODELS**

**Workplace Marketing:** This model was launched in October 2001 and proves to be very successful. The basic idea seems to be right, the project leader and his team perform well and the model finds interest at one business line of the Allianz Group where it is later on integrated.

**Senior Citizen Web:** Due to other obligations, the chosen project leader is not too interested in the project. After some months he searches for an external business “incubator.” Here a detailed business plan for the idea is written. However, this business plan is not able to convince the management board and consequently the project is halted.

**European Investor Platform:** In order to use the synergies of a common back end banking system, the model needs at least four big front end banking portals. However, simultaneously, the French subsidiary of Allianz is already on its way to develop its own banking system, which will be launched in October. Further, due to the merger with Dresdner Bank, a provider of such a platform enters the Allianz Group. Thus, the project is integrated into ongoing efforts of the Dresdner Bank.

**E-Market Trusted Advisor:** In order to realize this project, the decision is made to buy another firm, called Hermes, and to merge the ongoing activities. However, after the merger, a deadlock situation arises. While Hermes expects that Allianz is taking the lead, Allianz expects the same from Hermes. Investment decisions are postponed and finally the project is stopped. Recently, Hermes continued with the business idea and intends to launch a modified version.