

Manitoba Public Insurance Information Technology Benchmark (FY 2018-2019)

Executive Report

July 9th, 2020



MANITOBA
PUBLIC INSURANCE

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Purpose of this Document

- This reports contains the summarized executive version of the findings and recommendations resulting from the analysis conducted as part of the Gartner / Manitoba Public Insurance (MPI) Annual IT Benchmark
- Refer to the Full Report for the detailed analysis

Table of Contents



01

Gartner Point of View



02

Objective, Approach and Methodology



03

IT Benchmark Assessment Findings



04

Recommendations



05

Closing

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01 Gartner Point of View

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Levels of investment in IT must be in balance with value derived by the business: There is a cost to maturing IT Service Management Processes

Investments in IT

- IT Personnel
- Contractors
- Hardware
- Software
- Facilities
- Managed Services



Value Delivered

- Mature IT Service Management Processes
- Satisfied business stakeholders and end users
- Reduced risk
- Progress towards business outcomes
- Profitability *
(Applicable for commercial peers; not for MPI)



**Since MPI is a Crown Corporation, it does not aim to maximize profitability; thus profitability may be a less applicable measure of value delivered*

**Within the peer group, it was found that there is a higher level of profitability for firms with higher levels of IT Spending per employee*

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Gartner's Point of View on the insurance industry

Most Insurers Have Not Yet Faced Disruption

- Approximately 54% of insurers are untested and have not yet faced **severe disruption** (when they are tested, more companies are fit than fragile, however)
- When facing disruption, **many are unprepared** (they lack IT readiness and vision of the future, putting them at risk of failure)
- Insurers must **get ready for disruption**
- **Regulations** are the most disruptive factor that insurers are facing. Regulations are making insurers shift attention away from innovation, as well as serve to hamper innovation across the industry.
- If this capability has not been tested, companies must **conduct readiness assessments** by comparing alignment, anticipation and adaptation against industry norms. If disruption has occurred, insurers must identify gaps and remediate them
- Insurers must address the two major weaknesses — **vision and IT delivery** — by reviewing requirements vs. capabilities and building a roadmap

Many IT Risks Are Present Today in Insurance That Put Insurers at Major Risk in Responding to Disruption

- The foundation for **IT agility** is missing in many organizations, including the foundation for data mastery, IT leadership effectiveness (including relationships between the CIO and other business leaders) and a new culture of IT
- Insurers must assess the **work environment** within the IT department by reviewing staff requirements, employee morale and team environment
- Insurers must seek to **drive innovation** in IT through working closer with business peers, investing in emerging technology, building new training programs and funding innovation labs

Source: Gartner 2019

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02 Objectives, Approach and Methodology

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The Information Technology Benchmark was independently performed by Gartner for MPI, and will be conducted on annual basis for three years

The objectives of the IT benchmark are to:

- Establish an baseline of IT spending and staffing based on 2018/2019 fiscal year data
- Compare IT spending and staffing levels with insurance industry peers
- Communicate the level of maturity of key IT domains within MPI relative to peers
- Identify the variances for areas that may have a potential for optimization
- Create a foundation for a continual change/ improvement program

Assumptions:

- This is the first iteration in a series of benchmarks that will provide year over year comparisons
- The benchmark uses an updated methodology for the analysis of spending and staffing and IT maturity, and comparisons with the previous benchmarks are limited to common metrics

Successful Outcome:

The benchmarking report provides a fact-based assessment for communicating IT performance within MPI and contributes to informing future budget, staffing and investment decisions.



For the Information Technology Benchmark, MPI's current state was informed through three different workstreams

Work Streams



Spending and Staffing Benchmark

- Peer groups were selected based characteristics such as industry, size and geography.
- Enterprise-level benchmarks for IT spending and staffing were developed using 2018/2019 fiscal year data provided by MPI.
- Comparisons were made to peer averages, 25th, and 75th percentiles.



IT Service Management Process Review

- Evaluated IT domains include: Strategy & Execution, Applications, Data & Analytics, Enterprise Architecture, Infrastructure & Operations, Security & Risk, Program & Portfolio Management, Sourcing / Procurement, Vendor Management.
- Service Management Processes were evaluated based on survey results and maturity levels were calculated and compared to peers.
- Validation workshops for reviewing the assessment.



Stakeholder Analysis

- A document review and 6+ interviews were conducted with key IT personnel.
- The interviews were conducted to build a contextualized view towards MPI's strategy, processes, culture and past initiatives and were not used as part of the assessment.

The recommendations were developed in collaboration with MPI's IT Management

Development Process

Benchmarking of IT Spending and Staffing

Discovery into the maturity of MPI's IT Service Management Processes

Interviews with ITBT Management

Validation of Results with MPI



Spending, Staffing and Workload Data Collection and Analysis

Gartner benchmarking draws upon a deep repository of IT spending to identify fact-based, optimization opportunities. For MPI, Gartner conducted an analysis of spending, staffing levels and IT workloads, comparing results with peer organizations.



IT Score Surveys

Gartner IT Score Surveys assess specific IT domains, by evaluating best practice activities performed in each function, and assigning a maturity level based on responses. For MPI, Gartner assessed the maturity of MPI's IT Service Management processes through IT Score Surveys.



Interviews with IT Management

Gartner's interviews helped understand the context behind MPI's current capabilities, identify business challenges, uncover pain points and pinpoint critical success factors.



Workshops with MPI IT Management to Validate Recommendations

Recommendations are based on accurate information, and are actionable, attributable, measurable and prioritized accordingly.

03 IT Benchmark Assessment Findings

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Gartner's Benchmarking Assessment Findings: MPI invests more in IT relative to peers, which has led to the organization's higher maturity level



Spending Levels

MPI's IT spending is higher than peers, but within a typical range of spending.

1%

Within peer average for IT Spend as a Percent of OPEX



Staffing Levels

MPI's IT staffing levels are higher than peers, but within a typical range of staffing.

2%

Within peer average for IT Staff as a Percent of All Staff



IT Maturity Levels

MPI's IT maturity levels outperform peers in all nine of the IT domains.

3.40

MPI's Maturity Level compared to Peer Average of 2.49

While MPI's IT spending and staffing levels are higher than peers, MPI allocates more of its budget towards supporting evolving business initiatives.



MPI's IT Spending as a percentage of OPEX is higher than the peer average but is within the inter-quartile range



IT Staffing as a percentage of enterprise employees is higher than the peer average but within the inter-quartile range

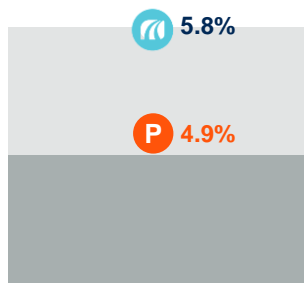


IT Spending per enterprise employee is lower than peer average but within the inter-quartile range

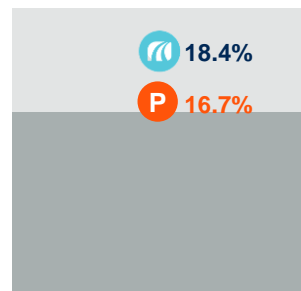


MPI allocates less of its budget to running the business leaving a greater portion to support changes to meet business demands

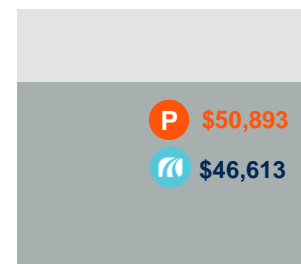
IT Spending as a Percentage of Total Operating Expense



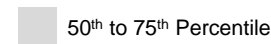
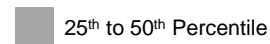
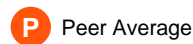
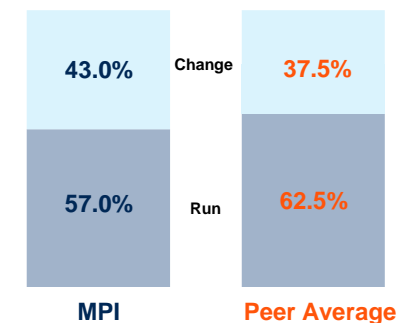
IT Staffing as a Percentage of Enterprise Employees



IT Spending per Enterprise Employee



Percentage Spending on Run vs Change



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During the interviews, Gartner discovered that the focus areas for ITBT will increasingly be driven by the requirements for Project Nova and satisfying its associated demand.

1.



MPI are currently planning for modernization of enterprise applications based on a user / customer centric design (Project Nova)

2.



Application development and testing for Project Nova, and other advanced IT roles represent a staffing and skills challenge

3.



MPI are currently gaining significant value from third-party service providers, and have optimized spending

4.



Legacy modernization initiatives will further increase the need for highly effective vendor management and vendor management capacity



IT investments have yielded highly mature IT service management processes, which positions MPI well to changing business demands. Further improvements could be made to improve certain functions as part of MPI’s continuous improvement initiatives.



MPI benefits from mature *Vendor Management*, and *Sourcing & Procurement* which are significantly more mature than peers. Project Nova will drive additional capacity requirements in this domain.



Program & Portfolio Management (PPM), *Security & Risk Management (SRM)* domains are significantly more mature than peers. Project Nova will require an effective business partnership for PPM and SRM. This is currently being delivered outside of ITBT.



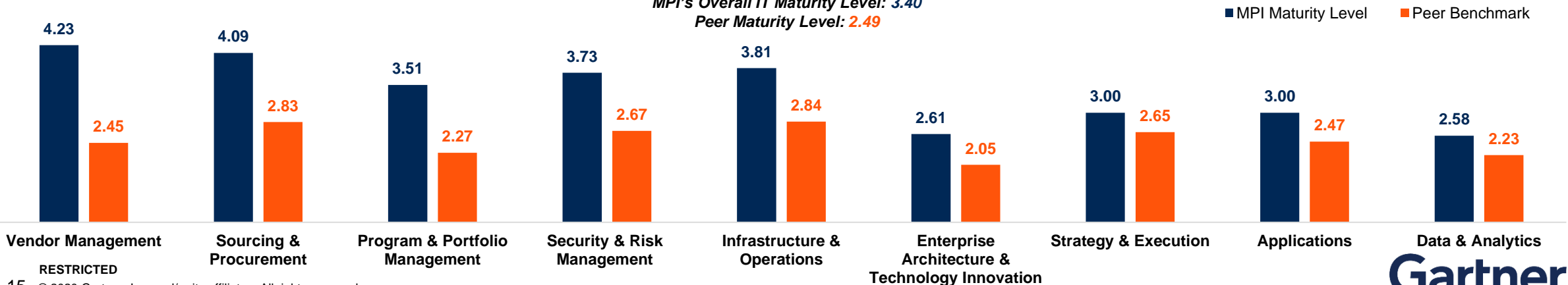
Enterprise Architecture (EA) is more mature than peers. MPI can increase maturity slightly by formalizing processes and building roadmaps.



For *Applications*, the nascent competencies related to agile application development need to be enhanced further to support Project Nova along with other functions, such as secure coding practices.

**MPI’s IT Domain Maturity Levels Compared to Peers
(Descending order of maturity difference)**

MPI’s Overall IT Maturity Level: 3.40
Peer Maturity Level: 2.49



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04 Recommendations

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The recommendations, for MPI's implementation roadmap are listed below:

1

Document vision and objectives for Enterprise Architecture using a formal charter.

2

Add capacity and transition vendor management from a focus on transaction-based activities to all aspects of the vendor management lifecycle.

3

Establish a skills management and training initiative, and define additional personnel roles within EA, PPM, vendor management, applications and IT security.

4

Improve application management competencies required for legacy modernization including agile application delivery and application testing for secure coding.

05 Closing

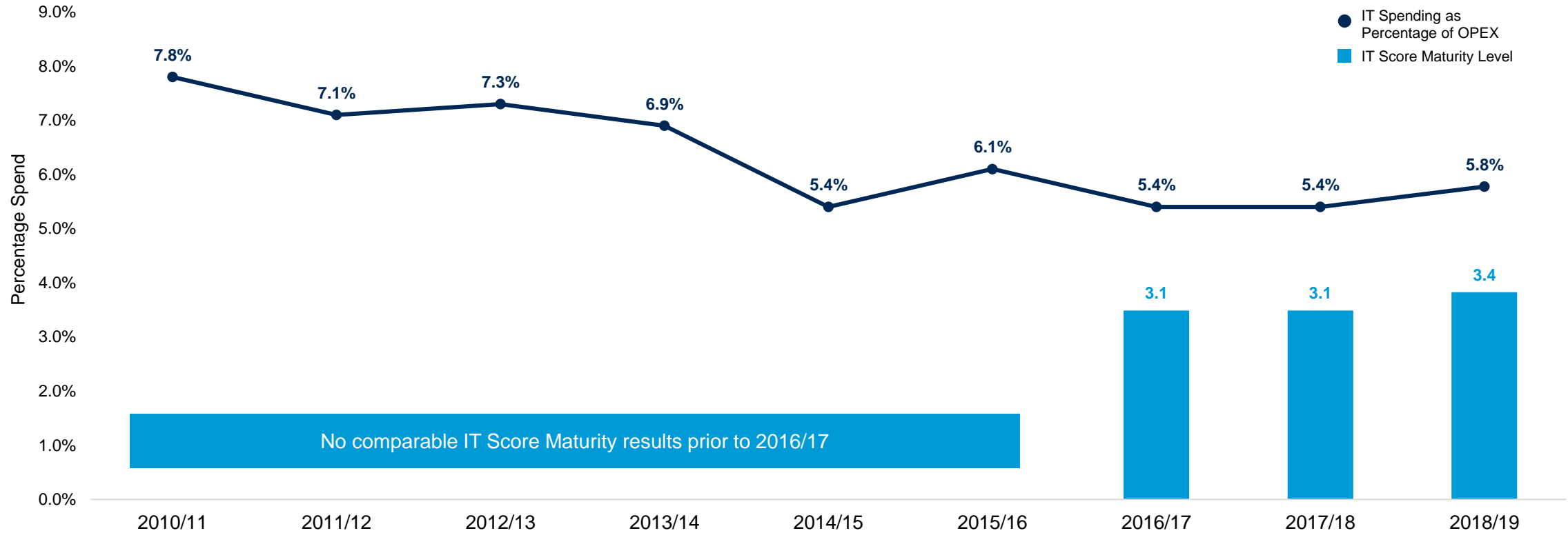
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Overall, MPI has demonstrated a trend of reducing IT spending as a proportion of total expenses while simultaneously improving IT service management maturity levels

IT Spending as a Percentage of Enterprise Operating Expense and IT Score Maturity Levels



Maturity comes at a cost: MPI's higher investments in IT are commensurate with the higher levels of maturity achieved compared to peers

Investments in IT

- MPI's IT spending levels are higher than peers, but are within a typical range of spending
- Similarly, MPI's IT staffing levels are higher than peers, and are within a typical range



Value Delivered

- IT service processes have improved and are more mature than peer organizations in every domain
- MPI has reduced IT security and privacy risks
- MPI has adapted services to changing business requirements and adopted agile application development processes
- MPI has started planning for modernization of legacy applications



Investments in IT have yielded maturity improvements in IT service delivery. Furthermore, investments in IT are comparable to commercial peers and are at acceptable levels when MPI's mandate as a public insurer is taken into account. Gartner considers this to be a good level of progress for the year and has no general concerns. MPI's IT management team continues to execute on continuous improvement initiatives and will consider recommendations provided by Gartner in the areas of skills and training, and rationalization of legacy applications.

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