

# Going forward with Prodacapo at Zurich Australia

**Paul Barnicoat is quite matter of fact about the challenges facing Zurich. “We’re a niche player in Australia, but we make a difference in our chosen markets because we operate competitively. We punch beyond our weight.”**

Barnicoat, Group Financial Officer at Zurich Financial Services Australia, is enthusiastic about the role that Prodacapo is playing in helping the organization to achieve these goals. So why the interest in Prodacapo?

## Purpose-built software

To handle competitive pressures and improve their return on equity for shareholders, Zurich needed to reduce costs. They decided that Activity Based Costing/Management (ABC/M) was the best way forward.

“We wanted to do something more sophisticated than just the usual 10 per cent cost-cut. We wanted to increase our understanding of costs so we could handle them better.”

Zurich went looking for a purpose-built ABC/M software. It was the first time they had ever tried to implement such a large-scale organizational change so they wanted experts to execute the process. ABM

### FACTS Zurich, Australia

Zurich Australia is part of the global Zurich Group, a trusted provider of financial protection and wealth accumulation solutions, around the world. Zurich Group is headquartered in Switzerland and have in total 62 000 employees in more than 50 countries. Zurich Australia Insurance Limited is ranked in the top 10 conglomerates in Australia, based on premium revenue.

**Staff:** Approx 1 000 employees

**Funds under management:** Approx AUSD\$5.9 billion

**Prodacapo product:** Prodacapo ABC/M



**“We understand our business better, we have good product costing information and there is a desire by the entire organization to continually refine this new process,” says Paul Barnicoat, Group Financial Officer at Zurich Financial Services Australia.**

Systems is well known in Australia for ABC/M and Prodacapo is their software of choice. Says Barnicoat, “We felt that we were in safe hands. ABM Systems educated us and we have ongoing communications with them, helping us to optimise how Prodacapo is used. Prodacapo had the best set of tools, integrating Activity Based Costing concepts with process improvement techniques. We found the solution was really quite easy to use. What’s more, the system captures all the information we need, and makes it accessible.”

## Facilitating a transformation

Zurich has three core lines of business – General Insurance, Life Risk and Investment Products, supported by a shared services division. The three core lines of business share costs but the actuarial side of each branch had its own way of allocating resources. Finance wanted more information about who was absorb-

ing overheads so they could optimise how to spread their costs and cost bases.

In making the decision to transform its cost-centre business into a process/activity-based business, the organization wanted to build a greater understanding about each aspect of its operations and capture more reliable data about costs. To be precise, the company needed greater clarity of cross-company activity, resourcing and its impact on allocations. Most important of all, Zurich needed to have properly costed product profitability, which can often be difficult to

“Before Prodacapo was introduced we argued about which products were really profitable.”

#### FACTS ABM Systems

ABM Systems is a Sydney based Australian company specialising in providing performance management solutions for Activity Based Costing (ABC), Process Management and Balanced Scorecard to companies and government organisations. The company is a member of the Prodacapo worldwide network of Partners. [www.abmsystems.com](http://www.abmsystems.com)

pinpoint due to a lack of accurate information. Prodacapo enabled them to do this by transforming cost centre allocations into reliable shared service costings, underpinned by detailed activity output level profiles.

Prodacapo has given Zurich the information it needs to make reliable decisions about how to improve their business.

#### Implementation

Zurich implemented Prodacapo in two phases. First step was to get the software installed quickly and have it up-and-running in the business's key areas. The consultants from ABM Systems helped to co-

#### Zurich chose to implement the Prodacapo solution to:

- generate more reliable product costing information
- enhance understanding of product, market and channel costs/profitability
- facilitate improved process management
- enable improved decision making by focusing managers on major cost drivers, and the underlying activities that drive workload, capacity, effectiveness and efficiencies.

facilitate 65 interactive activity definition and process mapping workshops. This enabled an initial model covering the entire business to be developed from scratch in just nine weeks!

The next step was converting ABC/M into 'business as usual'. This involved refining the system and selling it to staff. It was Zurich's Finance Division that promoted the introduction of ABC/M and they met with some initial resistance from the rest of the organization.

Recognising that the software relies on having good input, they worked hard to get the entire business on side. Barnicoat admits that, "Initially there was quite a bit of cynicism about Prodacapo. People thought it was 'just another piece of software' to deal with. But once we showed them the rigour of the ABC/M process and taught them to use the software they actually embraced the changes. We got a much greater 'buy in' than expected."

#### Outcomes

Zurich has been using Prodacapo since 2002. They update information quarterly and have five core users who report to the CFO.

Prodacapo enabled Zurich to rapidly identify high-level costing and reallocate costs to products. What's more, it's helping managers highlight how much time is being spent on value-adding and non-value-adding activities by company staff.

*“Reporting costs and sticking to a budget still exist, but ABC/M has become almost as important as the General Ledger.”*

Prodacapo has changed the way people work at Zurich. The system now fits well with company culture; people actually enjoy using, and see it as a valuable tool. Once business managers began to see the benefits people wanted more and more. Says Barnicoat, "We're adding requirements faster than we're knocking them off!"

Prodacapo has now become well accepted by other parts of the business such as the Sales Division which now track issues such as how much time and costs they spend in the office versus outside selling products.

"Looking back", concludes Barnicoat, "it's gone more smoothly than we ever would have dreamed. We understand our business better, we have good product costing information and there is a desire by the entire organization to continually refine this new process."



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