



Legal and General

Legal and General (L&G) is one of the UK's leading financial services group. It has over 5.75 million customers and almost 10,000 employees.

Background: rethinking strategic direction

L&G had been a successful player in the booming UK life insurance industry in the 1980's. There had been a boom in new business, but also a growth in complexity and regulation, and consumer mistrust following aggressive selling. By 1993 costs were rising, sales linked to the housing market were flat, and competition was growing. The consensus view was that insurance was a grudge purchase and needed to be sold, with associated high costs of sale.

A new Chairman, Sir John Egan, and CEO, David Prosser, asked SAMI to help the company take a strategic view.

SAMI's role: using scenarios to shake up thinking

The strategy process started with a scenario planning project, with SAMI as facilitators.

Interviews with customers, staff, competitors and regulators identified two key factors in the changing environment - demographics and information and communications technology. The industry was perceived to have been "asleep for forty years" and the culture of many staff to be "customers frustrate me; they don't understand". Even more damningly, "Our best bet is to get in bed with a bank or building society".

There was universal agreement that continuation of the status quo was not a credible scenario, and two scenarios were created - Evolution and Revolution. While the drivers for both were the same, the main difference was in the pace of change. By the end of the process, Revolution was looking more credible, as deregulation of financial markets, demographic change, and the use of IT as a sales, marketing and customer service channel developed more rapidly than expected.

The result: a sharper focus on strategic direction

With this in mind, L&G asked three questions to determine its strategic direction:

- Could L&G grow its UK long-term business profitably?
- Were there other profitable opportunities in UK financial services which L&G could exploit?
- Were there profitable opportunities for L&G outside the UK?

The response was to focus on quality, cost-cutting and cultural change in the short term, and to develop a long-term strategy for success in the new environment.



Opportunities were identified in:

- Pensions - the growth area
- Retail investment products (eg unit trusts)
- The protection market (eg household insurance)

L&G also decided to build direct as well as the traditional indirect distribution channels and introduce advice-based selling and cross-selling. A director of marketing was recruited and business activities based upon core competencies. The scenarios were rolled out through the company in workshops run by facilitators trained by SAMI.

The results from getting ahead of the curve were that L&G enjoyed growth in:

- Market share
- Profitable new business
- Share price

By 2005, L&G had become a role model in life insurance and index-tracking investments, one of the UK's top 50 companies in the FTSE 100 Index, and with operations in the USA, France, the Netherlands and Germany, as well as the UK.