



CASE STUDY: COMMISSION PROCESS ANALYSIS

BACKGROUND

In 2006 Indutech (Pty) Ltd undertook a project for a large South African Insurance Company. The company's management was concerned about the timing of the commission payment process. This was defined as the time from when an insurance policy was issued to when the sales representative received the commission payment.

PROJECT OBJECTIVES AND DELIVERABLES

The project had three main objectives. These were to determine the extent of the problem, to determine the reasons for the delay in commission payments and to make recommendations for improving the process.

Based on these objectives the following three deliverables were defined:

- AS-IS view of the commission process
- Critical analysis of this process
- Improvement scenarios and recommendations

PROJECT METHOD

The project method used to achieve these objectives and deliverables had five high-level steps. Firstly, a series of interviews were conducted with relevant personnel in the various departments involved in the commission process. Eleven interviews were conducted across six different departments to provide an integrated picture of the current commission payment process. In addition, the interviews also provided Indutech with the data that was needed for the second step in the project method.

The second step involved a statistical analysis of the data to determine the true extent of the problem. These results revealed the average and median overall time for the current commission payment process for each of the different departments. The following step involved the development of a series of solutions. The same statistical analysis was conducted for each of these solutions and the results were then compared with each other and with the current situation.



Figure 1

Figure 1 presents an example of the summary of these results (due to the sensitive nature of this information these results are not the actual company results). The graph shows the percentage of policies which would wait X number of days or more for the commission to be paid after the policy has been issued.

The final two steps involved validating the solutions and reporting on the findings. The validation was achieved via a series of workshops with the personnel of the departments involved. The validation team approved all the possible solutions and assisted Indutech in developing a set of pros and cons for each solution. Finally, the process, statistical analysis and validated solutions were presented to the company's management team.

BENEFITS

The project provided several benefits for the client:

- For the first time the company had an integrated process view of the commission payment process
- The concerns of the management team about the commission payment process were justified
- Several possible solutions were identified and their improvements quantified

RESULTS

The project produced several important results:

- The current time for commission to be paid was relatively long compared to time taken to issue the policy
- There were several possible solutions to the problem.
- Solutions 1 and 2 (see Figure 1) are the simplest to implement and provide the greatest improvement

IN CLOSING

The objective of this project was to do an analysis of an existing situation and make recommendations for improvements. The company has yet to decide which solution to pursue. Once a decision has been made, a new project will be undertaken to implement the detailed design of the preferred solution.