



## The Zuhlke Case Study

*On March 19<sup>th</sup> 2014, the Chancellor of the Exchequer dropped a bombshell. He changed the rules governing pensions and plunged the Financial Services industry into turmoil.*

*This is a true account of how one company turned an imminent crisis to immediate advantage. By adopting Agile approaches across the board, they outstripped and out-performed rivals – getting to market a year ahead of competitors and turning a collection of stand-alone products into a seamless suite of IFA offerings.*

*Even more importantly, this whole experience has created a new culture of confidence in IT where Agile thinking is seen as central and essential to delivering mission-critical business projects.*

*It's an object lesson for all Agile-minded companies.*

## How one company survived the Pensions crisis by totally embracing Agile

There are surprisingly few shocks in politics. Discreet private briefings and artfully leaked memos ensure that newspaper editors and TV controllers can prepare the public for any political unpleasantness. But nothing prepared the nation for the bombshell that the Chancellor of the Exchequer dropped on March 19<sup>th</sup> 2014...

Standing at the despatch box, George Osborne calmly announced that “*No-one need ever buy an annuity again*”. Dismissing fears that newly retired people might impetuously ‘blow’ their pensions, he stunned the House of Commons by declaring that “*people would now be free to spend money in their own way*”.

Dubbed the ‘Lamborghini Budget’ by the tabloid press and branded as ‘Reckless and Irresponsible’ by the Opposition, the Chancellor had cleverly given the Treasury a windfall income. Drawdowns from newly liberated pension funds would yield a very welcome tax bonus. But, for the Financial Services (FS) industry, delivering on the Chancellor’s promise was a very unwelcome and deeply worrying development...

The full details of this initiative would only emerge in the Chancellor's Autumn Statement, and this vacuum of uncertainty only fuelled anxieties. Many respected financial commentators feared that retirement pots would be plundered en masse. And many economists predicted that the financial haemorrhage would plunge the pensions business into terminal freefall.

For the pensions industry, it was the perfect storm. Senior management had no way of knowing what financial products would sell... who would buy them... or where they could earn an income in the Chancellor's brave new world. Many companies had only a limited product offering with little or no coherence. And, even if they could develop a comprehensive range of high-demand products, how could they make them instantly accessible to far-flung IFAs (*Independent Financial Advisors*)? However, amid these unanswered questions, certain truths were becoming self-evident...

Many of the carefully constructed economic models that had underpinned the pension industry for decades were now threatened. The algorithms that had underwritten retirement savings would have to be re-visited and many re-written. Innovative financial products would have to be created and rapidly brought to market. And there was an imperative that made these changes even more urgent and challenging: everything would have to be in place for April 2015 when the new pension rules became law.

Effectively, the pensions industry had been given notice to create a totally new way of doing business. The shock within the industry was palpable but, before long, this was replaced by a curious sense of opportunity. Out of chaos could come new chances to sell new products to new and emerging markets. This crisis might just be turned to advantage. And nowhere was this positive attitude more evident than at LV=.

*In truth, the Chancellor did us a favour – forcing us to turn a slightly confused set of financial offerings into a cohesive and tightly connected suite of products.*

*(Gavin Drescher – IT Director)*

Curve balls change perspectives. They introduce a new dynamic that often forces companies to reflect and re-focus. As Richard Warner, CIO at the time and now the COO, candidly observes:

*“When the dust cleared, we saw that LV= was in a potentially strong place. We were one of the few companies to have a wide variety of ‘at retirement’ products – such as enhanced annuity, drawdown and equity release schemes. The snag was, they had been developed as stand-alone products; not a unique set of single-stop solutions. We needed to find a way of presenting these options in one easy-to-understand platform. This quickly became a hugely attractive goal. Get it right, and we could offer IFAs instant access to a unique suite of solutions at a time of unprecedented uncertainty.”*

Creating this synergy, however, was not a trivial challenge. LV= needed to deliver this new product platform to a fixed deadline, but the precise set of requirements was still very unclear. The only certainty was that the 'waterfall' software delivery methodology, traditionally employed by LV=, simply wouldn't work in this scenario. It was too slow and ponderous to meet the immutable timeline. Agile was the only viable option.

To achieve this ambitious objective, though, called for the support of an expert partner with an impressive pedigree in Agile delivery. A partner who could also lead by example and so inspire cultural change within the LV= delivery teams.

That chosen partner was Zuhlke Engineering. A specialist company selected for its track record of delivering Agile solutions for the most complex, time-critical projects.

*Caption: SCRUM – the methodology that was used extensively to drive the project forward*

*“Agile delivery is based upon the principle of delivering a working set of functions in a number of discrete and focused ‘sprints’.”*

*(Richard Warner – COO)*

With the support of senior business leaders, a dedicated Agile delivery team was formed in the company's Hitchin office. Agile delivery is based upon the principle of delivering a working set of functions in a number of discrete and focused 'sprints'. The working functions are then presented to business customers in 'show and tell' sessions. These sessions are a prime opportunity to share – at a very formative stage – the work produced by the project team. They also elicit vital feedback which helps to keep the project 'on track' for delivery against clear business objectives.

Right from the start, it was agreed that this Hitchin- based team must be fully empowered and very inclusive. All stakeholders – from the IT areas right across to the business functions – were given a powerful voice at every stage of the process.

Led by a product owner – the 'ringmaster' responsible for taking decisions and making statements about the project's scope and criteria – and coached by the Agile experts, the team's first goal was to create the 'walking skeleton'. Effectively, this was a top line representation of the end product which the team would ultimately deliver.

By establishing the scope of the project, the team could then create a list of prioritised requirements – the 'product backlog'.

And, while the 'walking skeleton' was being constructed, the working environment was being finalised. New computing power was delivered and additional internal resources were assigned to the project. At the same time, Zuhlke also delivered some initial workshops which introduced LV= to SCRUM – the Agile methodology that was used extensively to drive the project forward.

On the surface, it looked as if everything was coming together perfectly – but appearances were to prove deceptive...

New Image: “Zuhlke development team in our office”

*“In our enthusiasm and excitement to accelerate the project, we inadvertently overlooked other service-facing teams in IT and the wider organisation – it was a crucial lesson in engagement.” (Richard Warner – COO)*

*“It’s easy to get carried away with the positive progress that you see immediately in front of you,” Warner readily admits. “In our enthusiasm and excitement to accelerate progress, we inadvertently overlooked other service-facing teams in IT and the wider organisation who were not engaged in the day-to-day delivery of the project... it was a serious oversight and taught us the fundamental importance of wider engagement.”*

As a working solution was being produced, the team wanted to start moving through the various environments. It was at this point that an important lesson was learned: engage with development services and set up your environments sooner rather than later. Warner takes up the story...

*“It became very clear that development services should be involved in the team on an ongoing basis – not merely as a function with which you interact at a given point in the project.*

*“This came to light when, after presenting the suggestions that we were planning to implement in a new and exciting way, the response was strangely, disappointingly muted from the service team. They went on to throw up some really interesting challenges that the project team had missed. This was a very real consequence of pace and not engaging early enough with our service delivery colleagues.”*

The team recognised these challenges and rose to them by ensuring that the right people were engaged – and empowered – to make sure that a working way forward could be resolved. The lesson learnt: involve people, from the start, in the entire project lifecycle. Make this an ongoing priority. It makes a very significant difference.

This was a very valuable lesson – but what enduring value did this project really deliver? That question brings us to one critical four-letter word: Cost.

Cost is always a prime consideration – and frequently it’s a contentious one. The decision to call upon external software engineering specialists is often disputed at senior levels ... why take the risk... what is the business case... where is the added value? These considerations weigh heavily in the decision-making balance – and rightly so. If there is no clear cost-benefit, then the whole external exercise is an expensive error of judgement.

## Value for money? The verdict.

The Pensions Industry had just a few months to adapt to a radical set of new rules. LV= not only met this deadline it created a blended retirement solution supported by a bespoke ‘Retirement View’ platform.

But at what price? Premium Agile developers come with a premium price tag. How can such costs be justified?

Well, Zuhlke’s day rates were undeniably higher than those of internal resources. But so also were their skill-sets, their technical know-how and their project experience. And when you have just 7 months to deliver a fully-functioning solution, those unique strengths become the ultimate driver.

Faster delivery accelerates profits. It drives down costs. It shrinks time-to-market. And it gave LV= at least 6 months’ head start over all rivals. A market dominance it still retains. This was the only purpose-built solution to be delivered by the April deadline. On spec, on time, on budget... and, most importantly of all, on the money...

An internal audit recently revealed this development has delivered the highest ROI of any LV= project. And it will continue delivering. ‘Retirement View’ provides a super-flexible architecture – a versatile framework to support the company and its many thousands of IFAs for decades to come. That is the lasting legacy of this project.

Agile methodologies are now a central pillar of the company’s development culture. Zuhlke was the catalyst that helped to raise the profile of internal development and delivery. In some respects, this is a greater and more valuable contribution than any bottom-line consideration.

With that thought firmly in mind, let us leave the last words to Gavin Drescher...

*20:20 Vision – with hindsight and honest insight, IT Director – Gavin Drescher – reviews the project outcomes, progress to date and prospects for Agile development in the future...*

In a quick-fire, Q&A session, we asked Gavin Drescher for his candid opinion on whether delivery has matched expectations and what future developments he has in prospect. Here are his fascinating insights...

**Q: On reflection, could you have tackled this project without external support – did you have enough talent in-house?**

*A: Could we have done this ourselves? Probably yes. But the real question is: would we have had the confidence to do it alone? And the honest answer is probably not!*

*As humans, we are hard wired to work with what we know and understand. It's a syndrome you see in most companies. Management – even the most visionary managers – have a curious tendency to typecast people. They see peoples' proven skills; not their potential talents. So, it's often difficult to break out of that straight-jacket of perceived strengths...*

*I would say this project was technically within our grasp but we needed external expertise – and credibility – to drive it through. Sometimes you need the adrenalin shot of third party endorsement to make things happen. We couldn't have done it without Zuhlke.*

**Q: This whole project is an exercise in transparency – but are the outcomes just as clear? Has the project really succeeded in showcasing your suite of offerings? Has it delivered for IFAs... and is this reflected in your product sales?**

*A: This new transparency has definitely made the process of matching the right financial product to individual clients much faster and simpler. IFAs are now more inclined to use and recommend our products... and that's not just my opinion, it shows in the sales figures.*

*This project has had an immediate impact on sales performance. Instead of single sales of isolated products, we were now getting multiple sales of connected products.*

*But the benefits are much more than bottom-line. There has always been a healthy relationship and mutual respect between the business and technology areas but now this bond has grown even closer. Quite genuinely, product owners have been motivated by the whole process because they have been involved from the outset. They have helped to mould and shape the outcomes – openly sharing their wish-list of requirements. And they have seen the products coming down the line so the confidence in the end result has grown day-by-day, week-by-week...*

*It's been a really productive partnership – and I think this is probably the key factor in the project's success.*

**Q: What exactly did Zuhlke bring to the project?**

*A: Well, for a start, they brought a lot of technical know-how to the party... their coders are really sharp – a class act. But Zuhlke's contribution wasn't confined to development...*

*Just as importantly, they brought some shrewd business management skills to*

*translate needs into technical solutions. They could look beyond pure applications development to*

*build and create a new, bespoke environment. And they delivered it extremely quickly – speed was a key consideration.*

*Also, having someone external to verbalise and explain the realities of what was – and wasn't – achievable made the whole process so transparent. Zühlke could endorse and give added gravitas to internal opinions. This external confirmation of the technical complexities definitely helped to establish credibility and give dimension to some of the challenges.*

*Zühlke showed us new, Agile ways of approaching problems and building solutions. It was really inspirational. It forced us to be even more nimble. In this sense, they were definitely the catalyst for change and this was possibly even more valuable than their technical skillsets.*

**Q: Looking to the future, where is LV= going and will Agile continue to play a significant part in your development plans?**

*A: Our new platform – the 'Retirement View' – is fully operational. We can now offer customers a blended retirement solution supported by a unique platform.*

*But that's not the end of the story – it's merely the first chapter. The platform can take on-board feedback... change its functionality and appearance... add new requirements to the backlog... and do all of this in a very rapid but controlled manner.*

*What's more, enhancements are not confined to the 'Retirement View' platform. The delivery teams have now fully embraced Agile as a way of working. With close support from Zühlke, they are continuously growing LV='s capability. Indeed, as the benefits become ever clearer, we are now applying Agile across a whole range of projects.*

*Where do we go from here? Well, I think Agile has fundamentally changed our culture. We have certainly gained more confidence and competence. I see the future as one of many incremental changes because, in a world of uncertainty, no-one can predict exactly where market forces are going to drive us. One thing is certain: we will rely increasingly on Agile to deliver time-starved and mission-critical business projects.*

## About LV=

LV= employs 6000 people and serves 5.7 million customers with a range of financial products. It is the UK's largest friendly society and a leading financial mutual.

When started in 1843, its goal was to give financial security to more than just a privileged few. For many decades, it was most commonly associated with providing a method of saving to people of modest means. Today, it follows a similar goal by helping people to protect and

provide for the things they love... only now it delivers on a much larger scale and through a wide range of financial services including insurance, investment and retirement products.

LV= offers its services direct to consumers, as well as through IFAs and brokers, and through strategic partnerships with organisations such as ASDA, Nationwide Building Society and a range of trade unions.

## Links

LV= Evolution not Revolution  
<http://youtu.be/WpJ1q-d00jA/>

Official LV= Website  
<http://www.lv.com/>

## Zuhlke Engineering Ltd

Zuhlke is a long-established (almost 50 years) software engineering and consultancy company. It employs more than 900 people across 12 offices within Europe and the UK and Asia.

Zuhlke specialises in bespoke Agile development for extremely complex projects. Typically, these are business- critical, time-starved and technically-demanding - challenges that are beyond the delivery abilities of most development teams.

With 85% of clients committing to repeat business, the level of satisfaction is impressively high. It is a clear affirmation of excellence from a prestige client list that includes: AXA Winterthur, Skandia, Swiss Life, BNP Paribas, Credit Suisse Group, JP Morgan, M & G Investments, Merrill Lynch, UBS, Alstom, Siemens, Swisscom, T-Mobile, Vodafone, British Airways, Lufthansa Systems and of course LV=.