



Ricoh Corporation

A Sound Decision Saves \$1.3 Million

SCORECARD

- Reduced premiums 18%, saving \$1.3 million in the first year
- Saved \$300,000 the second year
- Negotiated a \$79,000 reduction in broker commissions
- Received more comprehensive coverage from fewer insurance carriers and brokers
- Fostered teamwork across business units

CLIENT: Ricoh Corporation is a diversified office automation equipment and electronics provider.

CHALLENGE: In just five years, Ricoh Corporation doubled in size by acquiring five companies with offices throughout the U.S., Canada, and Latin America. Along with growth came an army of insurance providers, brokers, and overlapping insurance plans. Ray Miko, vice president of organizational development and certified Kepner-Tregoe® Program Leader, was asked to lead a risk management study team charged with streamlining the overlapping plans. Since mergers and acquisitions can mean layoffs and shifts in the power structure of organizations, Ray recognized that people on the team might be reluctant to talk freely and objectively. In addition, the team members had existing relationships and priorities for coverage that could make change difficult.

SOLUTION: KT processes brought objectivity, order, and speed to the challenge. The team used Situation Appraisal (SA) to understand the current insurance coverage and a complex Decision Analysis (DA) to select a broker. Ray used KT Project Management to manage the phased effort and keep the project on course. The SA quickly revealed that the existing coverage was not comprehensive. This helped the team develop a precise decision statement: Select the best alternative for the future arrangement of insurance from a cost, coverage, and administrative perspective. Using DA, the team members overcame their conflicting priorities and established relationships, and quickly reached consensus on their Musts and Wants for a broker. This helped them to identify two brokers, one for Marine Insurance and a second for Property and Casualty.

RESULTS: The two brokers built programs of superior coverage with savings of \$1.3 million in the first year and \$300,000 in the second. In addition, the team negotiated a \$79,000 reduction in broker costs by converting to fixed compensation—an opportunity that had surfaced during the SA. By using analytic processes and involving the right people at the right time, the team dramatically surpassed anticipated savings. In fact, Ray calculated that for Ricoh to earn the cash equivalent of what the team saved, based on the company's consolidation net income after tax, the company would have had to generate \$125 million in revenue.

“Rational process made it possible to uncover great savings without reducing staff and disrupting the organization.”

—Ray Miko, Program Leader

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