



# THE FIRST YEAR OF DIGITAL TRANSFORMATION AT PRINCIPAL INTERNATIONAL CHILE

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## CASE STUDY

*an in-depth description of a firm's approach to an IT management issue (intended for MBA and executive education)*

DIGITAL TRANSFORMATION
DIGITAL VISION
DIGITAL BUSINESS DESIGN
DIGITAL OFFERINGS
OPERATIONAL BACKBONE
DIGITAL PLATFORM
CUSTOMER INSIGHTS
ACCOUNTABILITY FRAMEWORK

PI Chile, a subsidiary of the Principal Financial Group, adopted a new digital vision in 2017 and initiated a transformation of the company with the goal of using digital offerings to help many more customers reach their financial goals. To do this, PI Chile had to wrap its legacy applications in APIs, build a reusable digital platform for the new offerings, and learn what kinds of tools and information customers would and could use. In addition, PI Chile was experimenting with entirely new ways of working for those staff who were developing the new offerings. The company's new accountability framework sought to empower teams to make key decisions quickly. In a short time, PI Chile was well on its way to becoming designed for digital.

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With digital technologies such as artificial intelligence, cloud services, and mobile computing already disrupting the financial services industry, management for Principal International (PI) Chile sought to complement its established business with a workplace culture of nimble and meaningful digital disruption.

In September 2017, after visiting several Silicon Valley companies, PI Chile set out to create its own digital solutions to help even more customers achieve financial security, in particular to be ready for retirement. Reaching every member of the growing middle class in Chile with an advisor-driven model was not economically feasible. But widespread online and mobile access was putting more customers within reach.

Implementing this strategy required PI Chile to develop new digital offerings for this customer segment. At the same time, the company needed to change its design to execute on its new strategy. So as to achieve the transformation, PI Chile began to modify its legacy applications, develop a new platform for digital offerings, learn how to develop customer insights, and totally revamp the company's work culture.

## BACKGROUND ON PI CHILE

PI Chile was a subsidiary of the Principal Financial Group (PFG). In 2018, the mission of Principal was “to give you the financial tools, resources, and information you need to live your best life.”<sup>1</sup> At that time, Principal employed more than 14,000 people, served nearly 22 million customers in 11 geographic markets, and had nearly \$668 billion in assets under management.<sup>2</sup> The company's subsidiaries in Mexico, Brazil, and Chile—comprising the PI Latin America segment of Principal International—managed around 20 percent of those assets. (See appendix 1 for an overview of company financials.)

With its 2,000 employees, PI Chile provided financial services to around 800,000 customers through several business units. It was among the

1 “About Us,” Principal Financial Group, Inc. Available at [www.principal.com/about-us](http://www.principal.com/about-us). Accessed on December 5, 2018.

2 “2018 Company Profile,” Principal Financial Group, Inc. Principal updates these figures periodically. These were accurate as of 9/30/2018. Available at <https://secure02.principal.com/publicsupply/GetFile?fm=DD730&ty=VOP&EXT=.VOP>. Accessed on December 5, 2018.

three largest competitors in most of its markets, depending on the measure. In management's view, the company competed on service rather than price. (See appendix 2 for an organizational chart.)

PI Chile was focused on helping people become financially ready for retirement. Chile's pension system required each employee to contribute 10 percent of their salary to mandatory savings plans, which were managed by one of six government-approved regulated pension service providers called AFPs.<sup>3</sup> The mandatory 10 percent savings rate, however, was not sufficient to allow people to maintain their pre-retirement lifestyle when they retired—that would require people to save more.<sup>4</sup>

*An important goal of Principal is helping people to get financial security when they retire. If we don't help people to save more, they are not going to accumulate what they are expecting to, and at the end of the day that's going to be a very important political and social issue for these countries. So what we really like about what we're doing is that this is something very meaningful. We are here to transform society. We like what we're working on here because we believe it's important.*

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**ROBERTO WALKER, PRESIDENT, PFG LATIN AMERICA**

To support people's financial security, especially in retirement, PI Chile's business units offered various financial products and services. PI Chile's AFP, called Cuprum, which had been acquired in 2013, offered customers mandatory savings plans for retirement as well as voluntary savings plans. Two other PI Chile business units offered mutual funds (for additional voluntary savings) and insurance products (mainly annuities for retirees).

## PI CHILE'S ROAD TO DIGITAL TRANSFORMATION

Like most financial services companies, PI Chile had been monitoring the progress of digital startups. By 2016, company leaders were concerned that the company was not keeping pace with the needs of its customers. For example, one local startup was providing investment advice to PI Chile's customers and others for a monthly fee of about US\$1. While leaders knew the advice provided by the startup was questionable, its success confirmed that customers wanted simple and direct advice, taking advantage of digital channels.

*We study our customers a lot here, so we know something about how they behave. Our customers want to be connected. In our research, they say they feel abandoned. That's their perception, so it's real. And the way customers want to be connected today is digitally. Most of them don't want to connect face to face. Given that the customers are becoming more digital, it's natural that we have to become more digital, too.*

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**PEDRO ATRIA, COUNTRY HEAD, PI CHILE**

PI Chile's early attempts at becoming digital focused mainly on technology investments that had limited impacts on the company as a whole.

*During these last few years, with all this huge amount of information everywhere about digital companies—the Amazons, the Googles—it's overwhelming, and you know you have to do something, but you don't know what. After a lot of discussion, we said, "We have to start advancing in that direction. Let's do something." So we started doing some things here, some things there. We risked having the "shiny toys" syndrome: AI, cloud, mobile, augmented reality. About one year ago we asked, of all these amazing things in the digital world, what would really add value to our customers?*

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**PEDRO ATRIA**

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3 AFP stands for "Administradoras de Fondos de Pensiones." For more information on Chile's pension system, see Wikipedia contributors, "Pensions in Chile," *Wikipedia, The Free Encyclopedia*. Available at [https://en.wikipedia.org/w/index.php?title=Pensions\\_in\\_Chile&ol=did=835923920](https://en.wikipedia.org/w/index.php?title=Pensions_in_Chile&ol=did=835923920). Accessed December 3, 2018.

4 As a point of comparison, an executive at PI Chile noted that PFG's customers in OECD countries were saving close to 20 percent of their salary.

In September 2017, senior management decided to start the reevaluation of their approach to becoming digital with a trip to “the source” by visiting companies like Google, Amazon, and LinkedIn over a week in Silicon Valley. On that trip, they found themselves in very different kinds of discussions about digital than they had expected.

*There were two main points that I took away from that week. The first was that none of our meetings included IT people. And the second was that all of our discussions had been about strategy, about the vision, about the value proposition, about customers. Because digital is strategy, it's not IT.*

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**PEDRO ATRIA, COUNTRY HEAD, PI CHILE**

Upon returning to Chile, senior management set about formulating a new “business strategy in the context of digital,” focusing on how digital technologies could help better achieve the company’s mission of providing financial security to its customers. (This became the business strategy of PI Chile, rather than just part of it.) A slide summarizing the new vision said:

*“We will help the middle class live their best financial lives, providing them with products and services in their best interest, leveraging technology to create, simplify, and drive a memorable Customer Experience.”<sup>5</sup>*

To fulfill this vision, PI Chile needed to use the capabilities of new technology to interact with customers in a new way.

*We need to send them personalized information, and we have to show them their current retirement situation. In the past that was not possible, but now with digital technology it's possible. Our goal is to give each of our clients a personalized, outstanding experience, to make them really take retirement in their hands, and do something about it.*

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**MARTIN MUJICA, MANAGING DIRECTOR, CUPRUM, PI CHILE**

To focus the company on this new strategy, PI Chile also needed to reframe how it measured success:

*Today, most of our “official” KPIs are financial: assets under management, fees, those things. We are trying to change that. Our goal is to make an impact on our customers’ retirement readiness numbers. That’s the KPI we are trying to move. If we’re not able to move that number, then we’re not actually fulfilling our mission, our promise to our customers to help them achieve financial security. So it’s not only about how much assets under management we have anymore.*

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**JUAN MANUEL VEGA, CHIEF DIGITAL OFFICER, PI CHILE**

The company was not abandoning its traditional metrics; for example, leaders and investors would continue to focus on assets under management, which was assumed to be the best predictor of revenues and profits. But the engine of future revenues would become customer retirement readiness.

PI Chile’s business relied on about 1,200 financial advisors, of which about 300 were external, independent advisors. Digital technologies would enable PI Chile to reach a new, large segment of customers—the growing middle class in Chile—that it had not been able to serve before in an economically viable way.

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5 Source: PI Chile internal document, 2017.

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*We started seeing that we had a great opportunity in the mass affluent market. Since the amount of money that those customers save is small, it's not attractive to a financial advisor to spend time giving them advice. It was very expensive for us to get to that market, but with all these digital tools and new technologies we can deliver a very good value proposition, with the same or a better experience as the face-to-face experience, but in a less expensive way. We could get into a market that today was abandoned, with few competitors approaching it.*

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**MARIA EUGENIA NORAMBUENA, MANAGING DIRECTOR, MUTUAL FUNDS, PI CHILE**

Serving this new customer segment would require developing new digital offerings. Management realized that at least as important as developing these offerings was creating what they called “the muscle”—the assets or capabilities—required to build sustainable digital offerings for customers in the future. In other words, PI Chile was redesigning the company.

*We wanted to be the first in providing this experience to the customer in advice and service from a digital perspective. But we didn't have a digital company. To develop that, we need better data, and we need a different organization, including new talent, different processes, and new, aligned technology. Even our organizational structure must change. We have an organization structure from an analog world, and we need an organization structure for the digital world.*

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**PEDRO ATRIA, COUNTRY HEAD, PI CHILE**

To achieve its transformation, PI Chile was working to fix the legacy operational backbone, develop a new digital platform, innovate digitally based on customer insights, and create an entirely new organizational accountability framework that would revamp the company's work culture. (See appendix 3.)

## **FIXING THE TECHNOLOGY FOUNDATION: THE OPERATIONAL BACKBONE**

PI Chile's IT function employed about one hundred twenty people, of which half were contractors. The company's operational backbone included two core systems with data and functionality around customers and products, called PISYS and IAFP (the latter acquired with Cuprum). Both had been developed in-house and ran on the same infrastructure. IAFP was built in 2013; in 2018 PISYS was being rearchitected to be more modular, but that would take years. Both systems were monolithic in design and thus not well suited for an increasingly digital company, though they offered reliable support for core operations.

*We have a huge legacy of technology, processes, and talent that makes change difficult. We need to develop data insights and become agile, but we have stones of technology. Some of our core legacy systems are very rigid, difficult to move. They were built in a different world.*

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**PEDRO ATRIA**

In addition, PI Chile had started to digitize its customer-focused sales processes in its operational backbone by implementing the Salesforce CRM. This system streamlined key processes performed by PI Chile's internal sales force as well as the company's external advisors. For example, customers could close contracts online, without an in-person visit or the need to print documents, by using a fingerprint as a digital signature. PI Chile was also working on digitizing its investment processes with a new cloud-based software package. Finally, the company was working on curating and structuring data about customers, including both existing data and data collected from customer behavior on PI Chile's website, to make better predictions and personalize customer communications.

## **BUILDING A DIGITAL PLATFORM FOR NEW OFFERINGS**

In addition to digitizing its core processes through an operational backbone, the company needed a platform to support rapid development of customer-facing digital offerings. Thus, PI Chile was also working on building

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a digital platform. While the two platforms were viewed as separate, they needed to interact. Offerings would have to trigger functionality in the operational backbone such as adding a new customer, requesting customer and product data, and billing customers.

To quickly enable the development of digital offerings that leveraged the operational backbone's functionality, PI Chile's CIO Jose Luis Silva decided to wrap both the PISYS and IAFP systems in APIs.<sup>6</sup> New digital offerings would then interact with the operational backbone systems only through these APIs rather than going directly to the databases or specific applications. Inserting this API layer between digital offerings and the operational backbone ensured that later changes to the legacy systems would be less likely to affect the company's digital offerings.

Top management understood the importance of building these APIs and allocated a special budget for developing the first ones. A central IT unit responsible for coordinating the development of APIs was established and staffed with two employees. As soon as a digital offerings team saw that data or functionality from the operational backbone would be needed, they went to the central API team; if an API didn't already exist, the API team would ensure that one was designed that could be reused for future offerings. The APIs themselves were developed by the core IT team responsible for the targeted data or functionality. As of mid-2018, PI Chile's IT unit had developed around fifty APIs.

An early aspect of the digital platform was the company's customer portal, PrincipalConnect.cl (called Principal Connect).<sup>7</sup> PI Chile contracted with a local startup to develop this portal. The startup was able to build the first version in only two months.

In 2018, in addition to PrincipalConnect.cl, PI Chile added to its digital platform a companion mobile app, various digital business components (such as a pension simulator that enabled several different financial wellness scores), and various reusable technical components (like one enabling single sign-on).

## CHANGING THE WAY PI CHILE WORKED: BUILDING A NEW ACCOUNTABILITY FRAMEWORK

As the digital strategy affected the company as a whole, it was clear to PI Chile's management that they needed to go beyond building APIs in order to change the behavior and mindset of everyone within the company.

*The toughest challenge is probably changing the culture of the company, and trying to make everyone in the company understand what the senior management team came to understand: that it is not just technology, it is a change in the strategy. The other challenge is having the right people for this change.*

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**MARIA EUGENIA NORAMBUENA, MANAGING DIRECTOR, MUTUAL FUNDS, PI CHILE**

To strengthen the company's digital capabilities and execute on the new business strategy, the CEO hired a chief digital officer, a chief information officer, and a chief data officer. All three reported to the managing directors of PI Chile's business units.

*For me, the key component whenever you want to do something new is people: a leader and the team under that leader.*

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**PEDRO ATRIA, COUNTRY HEAD, PI CHILE**

Also, to ensure it offered customers an integrated experience, the company centralized all the customer-facing

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<sup>6</sup> A legacy system could be "wrapped" in APIs to enable the interface with new digital offerings. In wrapping, a set of software components (API components) would be developed to forward requests from other components to the wrapped system and then pass the results back to the requesting component. This technique insulated the legacy system so that newly developed components did not directly call on functionality built into the legacy system. If a wrapped legacy system were replaced, only the API components that had linked to the legacy system had to be redirected to the new system.

<sup>7</sup> Principal Connect, <https://www.principalconnect.cl/>.

employees from the mutual fund and insurance businesses into a new business unit that was responsible for product distribution and marketing. (Due to regulatory requirements, most of Cuprum’s dedicated sales force remained in Cuprum.) While the two product units—mutual funds and insurance—were responsible for developing financial products and investing associated assets, the new unit was responsible for selling those products to customers and delivering a seamless customer experience across all channels. Creation of the unit resolved any questions of ownership around digital offerings such as PrincipalConnect.cl.

*When we had the distribution teams in all the different companies, who pays for Connect? To which company’s budget will the cost of Connect be allocated? Which of our companies will be in charge of investing in Connect? They all benefit, but nobody wants to pay for it.*

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**HORACIO MORANDE, MANAGING DIRECTOR, DISTRIBUTION, PI CHILE**

Most significantly, the Digital eXperience Lab (or DXLab) was set up in 2017 as an experiment in new ways of working. The expectation was that these new ways of working—or at least those that were successful—would gradually spread throughout the rest of the company. One member of management used the Zodiac boat as a metaphor in describing the role of the DXLab in changing PI Chile.

*Changing the way we work is really hard, and it is not going to happen from one day to the next. So we said, “Let’s try experimenting with this little boat, with a new mindset, with agility and new technologies.” But the Zodiacs need to be connected to the big ship, the business as usual. Every day they need fuel and capital. And they have a board that supervises what they do. The big ship has the clients and has the relationship with clients. The guys on the Zodiac don’t have that, but they are agile. We are trying to get the best of both worlds, so that everything they learn from their experiments gets communicated, and the big ship learns from it. In the long term, the big ship might become like a fleet of different Zodiacs, some larger, some smaller.*

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**DIEGO SILVA, MANAGING DIRECTOR, LIFE, PI CHILE**

The director of the DXLab, Daniel Langdon, had been hired from a born-digital company in 2016. After starting with a handful of employees in a cramped office, he set up the lab using an open office plan in a building next door to PI Chile’s headquarters. By mid-2018 the lab had grown to forty-three employees. “Digital thinkers” were drawn from marketing or other parts of the business. Others with backgrounds in software development and user interface design were brought in from outside the company. (PI Chile had previously outsourced most of its software development work, so the company had few software developers to draw on). Working in the DXLab was very different from working in the rest of PI Chile.

*Everything from how you sit, where you sit, how you collaborate, where you collaborate, what your timetables are, what your perks are, what your organizational structure is, what your career is going to be, etc. In all of those dimensions, we are changing radically.*

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**DANIEL LANGDON, DIRECTOR, DIGITAL EXPERIENCE LAB, PI CHILE**

Whether it was dress codes, HR policies, or technology standards, the DXLab was a trailblazer in changing how people worked at PI Chile. For example, before the DXLab, no tech worker got a laptop and a 27-inch high-resolution screen.

*The first guy we hired here, we gave him a Core i3 desktop with a 14-inch screen,<sup>8</sup> and the guy was supposed to develop the newest generation of technology for the company? It was like, that’s not going to fly! And we decided, okay now, we’re going to change the standards here.*

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<sup>8</sup> The Core i3 is a processor that Intel considers appropriate for light use, not software development. A desktop computer cannot be taken to someone else’s desk or to meetings. The resolution on a 14-inch monitor is considered inadequate for software development.

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**DANIEL LANGDON**

Changing so many aspects of work was not without challenges. For example, the DXLab had to develop a new career path to attract technical talent:

*When you think about the traditional career of a software developer, they normally want to go right away into becoming project managers, and then director or CIO. They want responsibilities, to manage people and all that. They don't want to code. That's the old school. The new school—these guys—love coding, and that's what they want to do forever. We had to create a dual career path. We have now an individual contributor career path, where you can grow, but still always be a developer, or you can jump to the other path, which is the traditional management line, where you start managing people and you use a different set of skills. Now you have choices. We're still working on this, and this is the only team that has that type of dual career path. Now after eighteen months we've been through this process, and we are starting to see the first promotions with this ladder.*

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**JUAN MANUEL VEGA, CHIEF DIGITAL OFFICER, PI CHILE**

The DXLab was organized into autonomous teams. Each team had at least a product owner (who had a deep understanding of the business problem the team was working to solve), a couple of developers, and a designer. A handful of more experienced members also served as agile coaches to teams. Every team was connected to a business sponsor in one of PI Chile's businesses.

Each team was responsible for offerings (such as PrincipalConnect.cl or the mobile app) or a component of these offerings (such as the wellness score, a measure of retirement readiness). Teams were organized into so-called "domains" and "subdomains." For example, "advice & sales," "fulfillment," and "relationships" were domains, "marketing cloud" was a subdomain of the "relationships" domain, and "financial planning" was a subdomain of the "advice & sales" domain. The idea was that teams could work as independently as possible in their domain without creating too much interdependence with other teams.

*There should be almost no overlap between domains. This is kind of counterintuitive because everybody is jumping on the "let's collaborate!" bandwagon. The way we're designing this is to collaborate as little as possible and as efficiently as possible.*

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**DANIEL LANGDON, DIRECTOR, DIGITAL EXPERIENCE LAB, PI CHILE**

A huge shift in their way of working was that while individual team members might change, a team stayed responsible for its product for the product's entire life cycle.

*There are no longer projects, because the incentives for projects are terrible. Products really don't have an end of life. Eventually [a product] might die, but it's more likely to pivot, and if you completely disband the team that is able to do that, you lose all the know-how, all the information.*

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**DANIEL LANGDON**

Teams were called "cells" to imply that they were working in a much more autonomous way than before. They were expected to make decisions about their component or product rather than to engage in more hierarchical decision-making processes. Empowering teams in this way located decision making closer to the relevant knowledge. Rather than discussing everything with everyone, as they had done in the past, the teams just made the decisions themselves. As DXLab director Langdon explained, upper management rarely had better information than did the team for making decisions on issues the team was dealing with. He compared hierarchical decision making to team empowerment this way:

*[With hierarchical decision making] the team first breaks everything down to a few bullet points so that I can make a decision. Then I, as a manager without the deep picture, get to ask questions that*

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*the team has evaluated for weeks. And I start making suggestions that they have already invented, investigated, evaluated against the alternatives, and discarded! We rehash all of those conversations. The only reason that happens is because there's no real confidence, and no real delegation of trust.*

*Instead, what we say now is, "This is your domain, this is your playground, and this what you need to get done." We just build the right culture, build the right team, enable them, delegate the decision making, and trust the people. And if they have friction, we resolve that friction! Resolving friction is the way I see my role.*

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**DANIEL LANGDON, DIRECTOR, DIGITAL EXPERIENCE LAB, PI CHILE**

In Daniel's view, management's role was to help the teams make their own decisions. With this increase in autonomy also came increased responsibility:

*You cannot say, "The business didn't give us what we wanted." "The IT people did not respond to us." "The provider ..." No, no, no. All that is all gone. You're it.*

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**DANIEL LANGDON**

PI Chile was already starting to spread the DXLab's way of working.

*We've started to evangelize what we're doing to the broader organization, saying, "Hey, this is nice! Hey, you should start looking into this yourself! Hey, this is kind of what we're getting to know!"*

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**DANIEL LANGDON**

The IT function was applying agile principles to software development, modular principles to software design, and working towards releasing software more rapidly. A handful of additional agile cells had been established in other parts of the business (marketing, IT, and operations) that also focused on local innovation. Coaches from the DXLab coached these cells in their new ways of working. The number of agile cells at PI Chile was expected to grow quickly.

## **INNOVATING BASED ON CUSTOMER INSIGHT**

A key feature of the DXLab was that it was both somewhat separate from the company and also tightly connected to it. That helped the DXLab stay focused on learning about PI Chile's customers and how to help them:

*The lab is not disconnected from the rest of the company. They have a lot of discussions with the existing business: What are the pain points for our customers? What are the things that we believe are more important and should be prioritized, to deliver on a promise to our customer?*

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**ROBERTO WALKER, PRESIDENT, PFG LATIN AMERICA**

The agile cells outside the DXLab had adopted most of the DXLab's ways of working. In order to "convert" people, the businesses were rotating them in and out of these cells. One consequence of having even just a few agile cells outside the DXLab was that they reinforced the message that digital innovation did not happen only in the DXLab:

*We're trying to avoid being "the" innovation lab of the company. We don't want to monopolize being creative with computers. That's a tendency that we're fighting really hard against.*

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**DANIEL LANGDON, DIRECTOR, DIGITAL EXPERIENCE LAB, PI CHILE**

A committee consisting of the country head, the managing directors of the product and distribution units, the CDO, and the director of the DXLab decided which innovations would be allocated to cells in the DXLab and which to cells in the product or distribution businesses. As a rule, innovations allocated to the DXLab were those

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that affected more than one business unit.

The DXLab cells worked in an iterative and incremental way to innovate and to learn, as quickly as possible, what worked and what did not.

*We're taking risks, we're taking a lot of risks. The DXLab is a space where we can actually fail. We're trying different things that we know are going to fail. Failing was not an option eighteen months ago. Today, we are failing. We are failing fast, and fortunately we're failing cheap.*

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**JUAN MANUEL VEGA, CHIEF DIGITAL OFFICER, PI CHILE**

When developing new offerings, DXLab teams sought to learn from customers both indirectly—by analyzing data about customer behavior, such as behavior on the portal—and directly:

*For the first version of the mobile app we didn't code anything, we just drew sketches. And then we built some prototypes of the app on a mobile phone. We recruited some "typical" customers to try it out, and we recorded the session using the phone's camera. We had our design team and our product owners in the room next door, connected, listening, watching, seeing exactly what the customer was doing and how he reacted.*

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**JUAN MANUEL VEGA**

Sometimes they also created comprehension tests (in the form of questionnaires) to see if customers truly grasped what their pension was going to be or what their investment options were, or whether they could correctly interpret a graph or other visual aid. If customers failed these comprehension tests, the teams went back to the drawing board, made changes, then ran new experiments.

In 2018, PI Chile began collecting data reflecting customer behavior at touch points along the customer journey in order to act on customers' intentions. For example, a personalized email would be sent out if a customer calculated their wellness score but then did not follow through by initiating more savings.

As part of transferring what they were learning about customers, and to get further internal feedback, every Friday the DXLab showcased one of the offerings it was working on.

*Last week's showcase was about the new app. I went. There was nothing really new to me, because we are so close to their work, which is very good. But it was very good to hear what others said!*

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**GABRIELA UNDURRAGA, MARKETING DIRECTOR, CUPRUM, PI CHILE**

Even in the businesses, customer focus had become more important. For example, in Cuprum, project prioritization was now driven by a customer focus, which reinforced the need to understand customers:

*When you have thousands of things you need to improve or to build, prioritization is key. And our prioritization process starts with the customer. That is a huge change. And to be able to really say that you are prioritizing according to customer needs, you need to get to know the customer. So we include design thinking in almost all our new development. We continuously check with the client. We ask real customers how they feel about what we're thinking. Because maybe we're wrong!*

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**MARTIN MUJICA, MANAGING DIRECTOR, CUPRUM, PI CHILE**

Within Principal, there had always been a strong tradition of collaboration and communication and transfer of learning across the company. Dan Houston, the president of PFG, talked about the importance of working as "One Principal," rather than in different divisions or in silos.<sup>9</sup> This allowed PI Chile to draw on thinking about

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<sup>9</sup> For an example, see the Analyst/Investor Day transcript, Principal Financial Group, Inc., November 6, 2015, page 7, accessible at [https://s21.q4cdn.com/251671177/files/doc\\_events/2015/2015-Investor-Day-Transcript.pdf](https://s21.q4cdn.com/251671177/files/doc_events/2015/2015-Investor-Day-Transcript.pdf).

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digital transformation at PFG's headquarters in Des Moines, and to learn from different approaches to digital transformation within Principal International, especially from its sister organizations in Brazil and Mexico.

*We have been also creating a structure in Latin America that is very light, very thin, but the purpose is making sure that the transfer of technology, knowhow, and best practices is happening across the organization, not only within the region.*

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**ROBERTO WALKER, PRESIDENT, PFG LATIN AMERICA**

A key goal was for PI Chile to be more customer centric throughout the company. As Roberto Walker noted:

*Products are very easy to copy. But customer insight and customer understanding are not easy to copy.*

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**ROBERTO WALKER**

To be more customer centric, PI Chile was working with regulators to find a way to further integrate the company's product organizations, as well as seeking ways to standardize company business processes (which varied across product lines) across customer journeys. But the most important thing was for everyone in the company to learn continuously about customers:

*Our goal is that everyone in the company—not only the teams that are focused on innovation and new projects, but all areas of the company—will have the customer as their main focus, so that they can gather information about customers, and they can share that information, and they can then go back and learn what information we have about the customers in other areas, and then also change and adapt their own processes in order to improve the experience of the customer. That would be our goal going forward.*

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**MARTIN MUJICA, MANAGING DIRECTOR, CUPRUM, PI CHILE**

## LOOKING AHEAD

In mid-2018, PI Chile was still in the early stages of its digital transformation.

*We have not significantly changed our customers' lives yet in all the ways that we want, but I believe that a couple of them would say, "You know, it's nice that I don't have to go to an office and sign a piece of paper anymore. That I can onboard myself, online. Or that I can just sign with a fingerprint." They would definitely say, "That's pretty cool." Is that enough to make them absolutely happy? No, definitely not, we are far from that, but we work hard every day to make them happy.*

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**JUAN MANUEL VEGA, CHIEF DIGITAL OFFICER, PI CHILE**

One accomplishment that Country Head Pedro Atria was pleased with was that, in his view, most people in the company now understood that the company would become more digital.

*Given that every employee is already embedded in a digital world, it's now part of our culture, I would say, that digital is the future. We have to go digital. We are still building our strategy in that direction, but there isn't resistance to becoming digital, even though people don't know what that means.*

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**PEDRO ATRIA, COUNTRY HEAD, PI CHILE**

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In addition to driving the technical aspects of its digital transformation, PI Chile was continuing to learn what its customers wanted and needed. The company continued to experiment with new ways of working. Senior management was accumulating new competences and designing the company for long-term innovation:

*We would like to end up with a digital company end to end. We know also that we are not going to get it right the very first time, and we have to create options inside the organization, because we know reasonably well what we would like to achieve, but we don't know exactly what it will be like, or what is the best way to get there, or the fastest way to get there.*

---

**ROBERTO WALKER, PRESIDENT, PFG LATIN AMERICA**

Within just a couple of years, PI Chile had absorbed lessons from Silicon Valley companies, built up its own tech “startup” team, and empowered dozens of employees to make key decisions quickly. The DXLab was showing promise both in terms of its own development of digital offerings and its partnerships with PI businesses. These changes would give PI Chile access to millions of new customer accounts.

The full impact of this strategic digital disruption from within would have to be measured in the future.

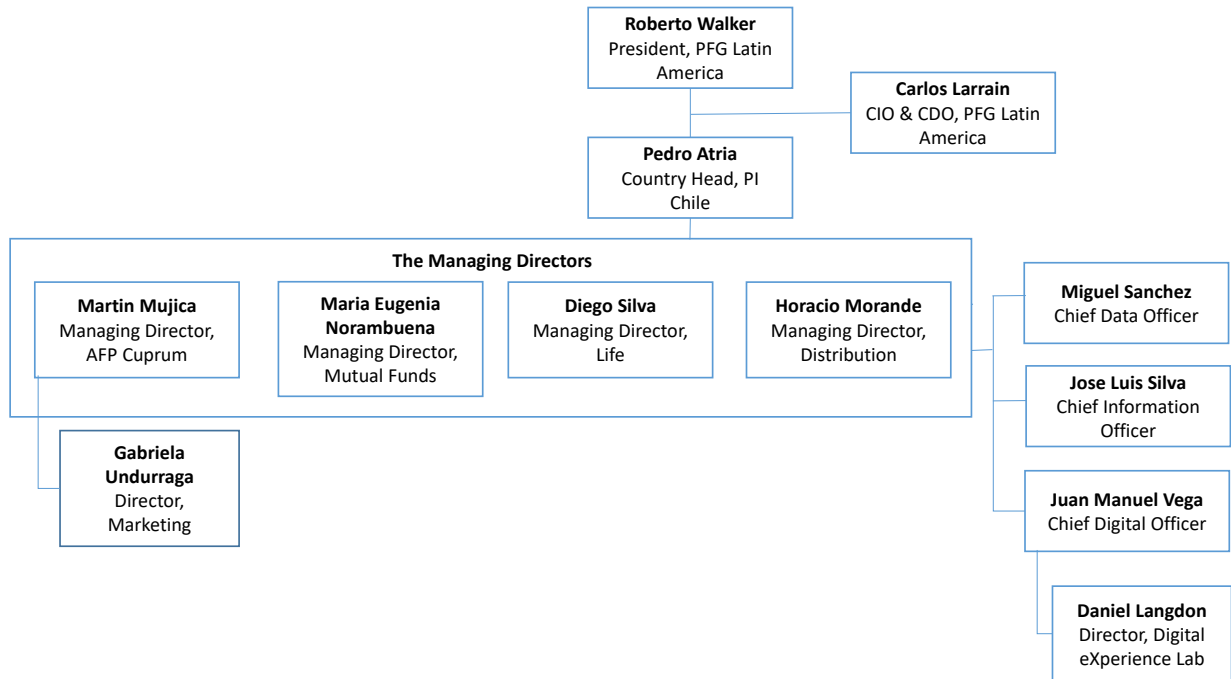
### Appendix 1: Principal Financial Group Company Financials

(All amounts in USD billions)

	2017	2016	2015
Principal Financial Group (PFG) Assets Under Management (AUM)	\$669	\$592	\$527
—Principal International (PI) AUM	\$161	\$137	\$110
— —PI Chile AUM	\$47	\$44	\$43
PFG Consolidated Assets	\$254	\$228	\$219
—PI Assets	\$52	\$45	\$51
PFG Consolidated Operating Revenue	\$14	\$12	\$12
—PI Operating Revenue	\$1.3	\$1.3	\$1.2
PFG Pre-tax Operating Earnings	\$1.9	\$1.7	\$1.6
—PI Pre-tax Operating Earnings	\$0.3	\$0.3	\$0.3

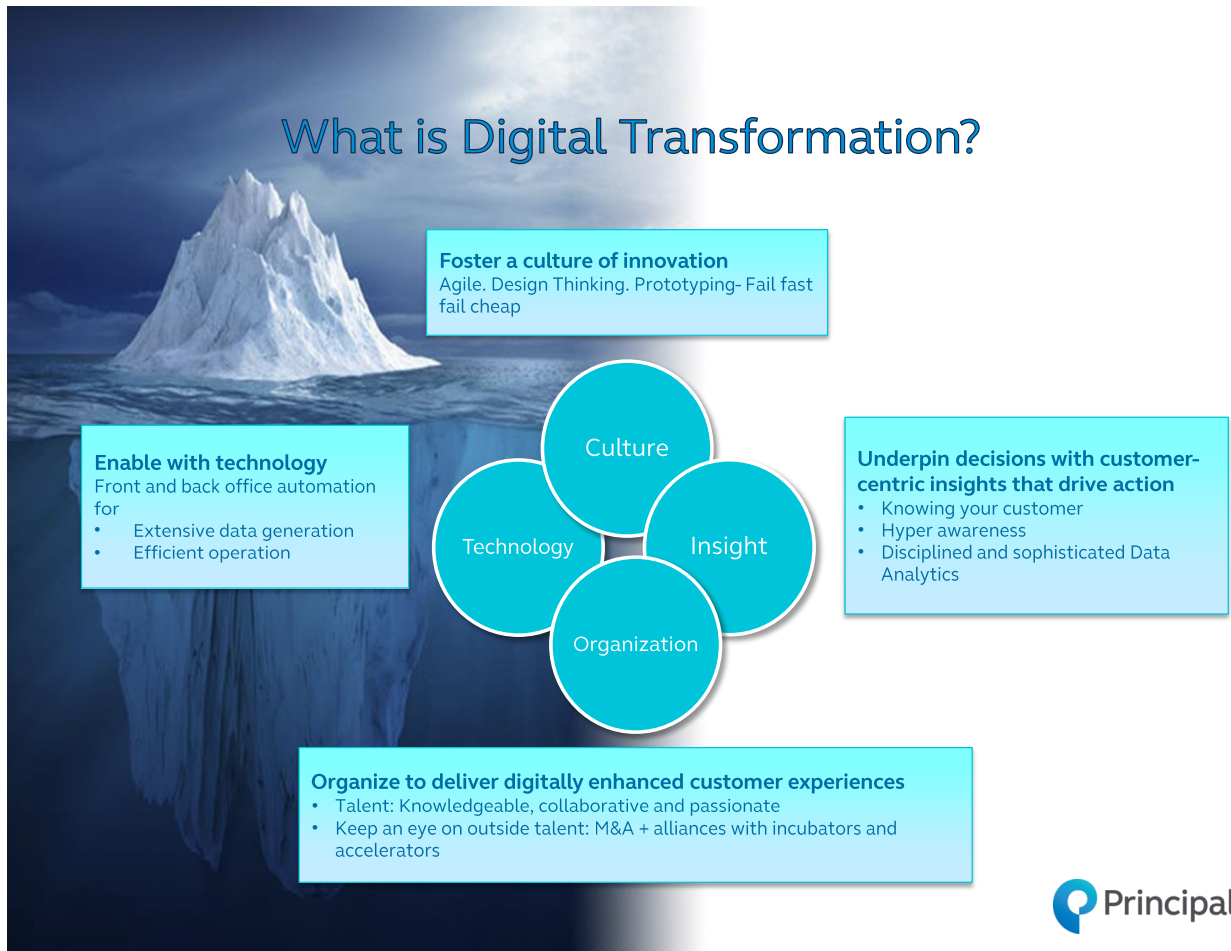
Source: US SEC Form 10-K, Annual Report for Principal Financial Group for the fiscal year ending December 31, 2017; and US SEC Form 10-K for Principal Financial Group for the fiscal year ending December 30, 2016

Appendix 2: PI Chile Organizational Chart



Source: Authors' representation.

Appendix 3: Digital Strategy for PI Chile



Source: PI Chile internal company document, 2017.

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