Agile Working: is it time for the insurance industry to embrace agility?

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"According to Darwin's Origin of Species, it is not the most intellectual of the species that survives; it is not the strongest that survives; but the species that survives is the one that is able best to adapt and adjust to the changing environment in which it finds itself."

— Leon C. Megginson, Civilisation Past and Present, 1963

This popular quote is often attributed to Charles Darwin but was, in fact, delivered by Leon C. Megginson – a Louisiana State University business professor, in a speech on his interpretation of Charles Darwin's ideas. Megginson used the phrase to suggest that organizations, like species, must adapt to their markets to survive. It is possibly the first analogy for evolutionary theory and business philosophy.

As we face the new post-COVID reality, it is no longer safe to assume that insurers with the best capital base or the most sophisticated risk management and operational processes will negotiate these tumultuous times most effectively. The foundational values of the insurance industry—stability, consistency, and strength—which have successfully steered the industry through centuries of unexpected disasters and other consequential events, need to evolve to ensure that we not only survive, but thrive, in the 21st century.

It is time for insurers to embrace agility.

Backdrop – An industry under siege

The pandemic has hit at a time of tremendous stress and transformation for the insurance industry. The digital revolution has put immense pressure on distribution, product and the industry' antiquated operational systems. An industry that prides itself on data management has perhaps struggled to keep pace with tech-savvy start-ups who have put data at the heart of their business models. All this at a time where the macro environment, in particular a generational shift to lower interest rates, has ratcheted up financial pressure on insurers, and where Corporate Social Responsibility, including dealing with climate change, is quickly becoming executives' top priority.

It's understandable for an industry such as insurance with deep-rooted beliefs that stability and consistency are critical would struggle to quickly respond to these existential challenges.

One possible solution to help companies in the insurance industry embrace change is Agile Working.
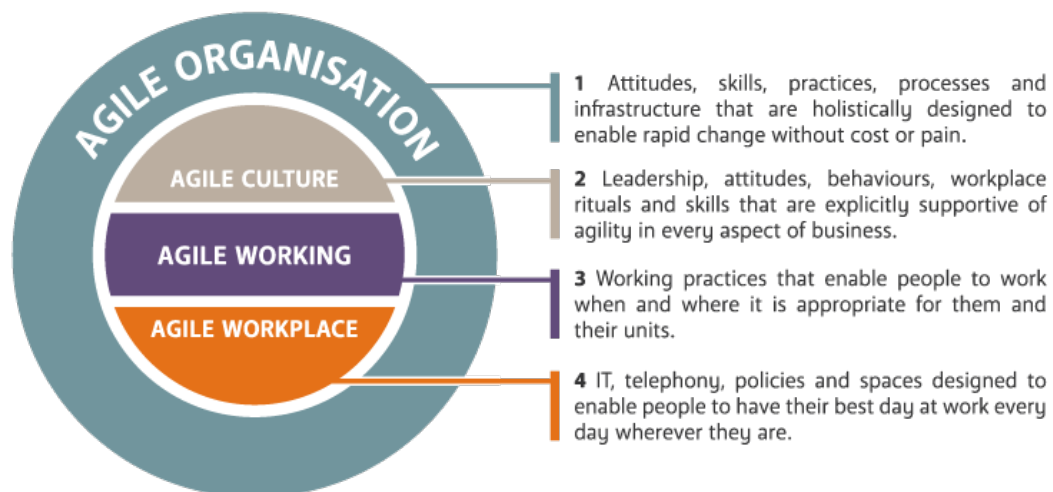
Solution – Agile Working

Often confused with Flexible Working which defines when and where people work, Agile Working is a broad framework covering how businesses organise and ultimately deliver against the stated strategy. Agile Working helps an organisation to move away from hierarchy, towards empowering associates and thereby enable businesses tackle more complex problems and to deliver more effectively.

Traditionally, insurers and most other large organisations are structured based on a static organisational pyramid—with governance at the top and decisions flowing down the hierarchy.

Agile organisations, on the other hand, are organised around a network of teams operating in a fluid environment. Teams are small and often multidisciplinary. They come together to deliver certain strategic objectives with a common purpose and use new data to give decision rights to those closest to the information. The Agile Working model breaks down silos, resulting in a flatter organisational structure that improves organisational efficiency.

AGILITY

AGILE ORGANISATION

AGILE CULTURE
AGILE WORKING
AGILE WORKPLACE

1 Attitudes, skills, practices, processes and infrastructure that are holistically designed to enable rapid change without cost or pain.

2 Leadership, attitudes, behaviours, workplace rituals and skills that are explicitly supportive of agility in every aspect of business.

3 Working practices that enable people to work when and where it is appropriate for them and their units.

4 IT, telephony, policies and spaces designed to enable people to have their best day at work every day wherever they are.

In a successful Agile Working environment, senior leaders continue to set strategy and define the organisational framework but also empowers team members (often not under their direct control) to come together to solve problems and implement solutions.

The key of why Agile Working is so effective:

- Reduces layers of approval.
- Increases employee motivation; and ultimately
- Improves outcomes of the most complex and important business initiatives.

Agile Working frees up senior leaders to focus on what is most important—creating and communicating strategy and building the organisational framework to ensure success—while empowering employees to innovate and deliver.

According to a study released in 2018 by Wemanity, a European leader in agile and digital, 83% of large corporates in Western Europe have adopting agile working. The pandemic has clearly accelerated Flexible Working which in turn should accelerate the adoption and embedding of Agile Working

Is your organisation agile?

While many insurance companies may be making progress toward a more agile workplace, it is the tech companies that tend to be leading the way. In his article titled, "10 companies

killing it at scaling agile," Christopher Null discusses a diverse list of companies, including major names like Cisco and Lego, but doesn't include any examples from the insurance industry.

If you aren't sure where your organisation sits on the agile scale, ask yourself the below questions from McKinsey's article 'Scaling agility: A new operating model for insurers'.

1. Is there constant confusion around ownership and responsibility when trying to deliver end-to-end business objectives that cross functions?
2. Does delivering the most critical solutions require multiple handovers and long lead times?
3. Is the organization overlayered or overstaffed creating inefficiency, excessive time spent gaining consensus, and loss of accountability on core business objectives?
4. Do the organizational culture and leadership approach make it difficult to collaborate across units, hinder fast decision making, slow down the pace of experimentation, and decouple decision making from facts and data?
5. Is the organization finding it difficult to attract the talent that it needs to win in a competitive environment?
6. Is the technology infrastructure built in a monolithic way that does not support the speed and flexibility required to keep up with tech giants and insurtechs?

More "No" responses to these questions suggests a company is taking a more agile approach, while more "Yes" responses suggest the company is working in a less agile way.

The internet is brimming with examples from consultants and academics that explain this revolutionary way of working and demonstrate its benefits. In a paper titled "Ready, set, go: Reinventing the organization for speed in the post-COVID-19 era," McKinsey describes how organisations across the world have had to redeploy talent, launch new business models, improve productivity, deploy new products, and shift operations in response to the pandemic. This has been done through "streamlining decisions and processes, empowering frontline leaders, and suspending slow-moving hierarchies and bureaucracies."

Tips – bringing agile working to your organisation?

Agile Working can be applied to any area of insurance operations. From projects such as changing or updating administration systems, to creating and releasing new products.

Here are some top tips for going Agile:

1. Senior leadership must have a clear strategy and clearly communicate desired outcomes to the whole organisation, for example by setting out a list of strategic initiatives that need to be delivered on an annual basis.
   This is not very different to a traditional, hierarchal way of working but it's from here things change.
2. Managers must learn to "let go" and share decision-making power and control of resources. Initiatives are rarely just delivered by managers supported by their team but, rather, by an agile cross functional team that comes together with the sole purpose of delivering a desired outcome. Managers still have an important role to play supporting and developing talent. But each manager must also empower their employees to serve on agile teams that are led by other managers.
3. Teams must have clear rules of engagement. Companies must design and clearly communicate a framework that will define the way agile teams will operate. This includes defining roles and how decisions are made and communicated.
   While strategy and planning are both key aspects of agile working, these items can't be achieved without intentional and clear communication—both horizontal as well as vertical. This, as Quint Wellington Redwoods explain, ensures "unification and a

> *harmony of activities between the organisation's activities, as well as active prioritisation of goals".*

4. Managers must empower and trust their employees and resist the urge to micromanage. Once the goal has been clearly communicated, the framework has been designed and the team has been established, employees should feel trusted and empowered to do their jobs.
5. Insurance is a highly regulated industry so it's critical to incorporate regulatory functions, including Risk, into the Agile Working framework. Without representation from these functions, initiatives are unlikely to succeed—indeed, in these uncertain and volatile times, risk management is more important than ever for effective Agile Working.

RGA is making tremendous strides toward an Agile Working environment. I've seen great results when working on large, complex reinsurance transactions. These transactions often require cross-functional collaboration between many teams, including Client Coverage/Business Development, Pricing, Investments, Risk, and Legal. They require strong, clear communication and a clearly defined decision-making framework. Senior management delegates the responsibility to cross functional Deal Teams, empowering the team to deliver. Conversely, each member of a Deal Team needs to understand the goals and should feel empowered to voice concerns and react quickly to the situation as it evolves.

I believe the following has led to the smooth implementation of an Agile Working framework at RGA:
1. The desired outcome is clear—support insurers' risk and capital needs by writing sustainable reinsurance deals.
2. Managers understand the need to provide resources to a Deal Team, but they don't need to manage the deal.
3. Assigning a 'Deal Lead', 'Client Lead', 'Pricing Lead' and 'Legal Lead' is critical, as is ensuring that everyone understands each other's role, and how decisions are made and communicated.
4. Success is easily measurable. Milestones within the project are broken down into short-term goals to allow a 'find, execute, and validate' approach. Objectives are measured alongside daily or weekly achievements, which ensures consistent forward momentum for the project. Post-mortems are conducted to capture lessons learned and those lessons are shared across teams.

COVID an accelerator and an opportunity

The pandemic has dramatically changed how millions of employees throughout the world work—with city centres emptying in favour of bedrooms converted into makeshift home offices. Companies are having serious discussions about the future of office work and what the office environment will look like going forward, with a move toward more flexible work options for many employees. How will agile working fit into this new shift in the workplace?

The disruption caused by the COVID pandemic provides a unique opportunity to embrace this new way of working. Before the pandemic, the world was shifting away from individual work in favour of teamwork and a more collaborative approach. The pandemic may have allowed organisations to kick-start new agile initiatives and further shift employee thinking. The sudden changes to work and personal situations, and the constant uncertainties brought on by the pandemic, has caused many individuals to develop an agile mindset without even realizing it.

In her Forbes article titled, "Why A gile Is The Mindset To Get Us Through The COVID Crisis: 4 Lessons From Agile For Today And The New Normal," Tracy Brower summarised

the opportunity. She writes "Our current conditions require a calm response to complexity and agile empowers us to be our best in the face of uncertain times".

Final thoughts

In today's turbulent times, where established insurers are dealing with the many effects of the pandemic, all while competing with energised start-ups looking to eat market share, the prospect of a fast-moving, adaptive organization should be highly appealing.

Companies cannot adopt an agile workplace overnight and, while there is a framework, there is not a "one size fits all" approach. The biggest issue facing the insurance industry is perhaps best summarized by the economist John Maynard Keynes: "The difficulty lies not so much in developing new ideas as in escaping from old ones." It is time for the insurance industry to truly embrace agility.