« Agility is more than just a framework, it is a way of working and mindset leveraging unique and diverse skills. »

Preparing Your Workforce for the New Normal

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As stability is important, many insurance companies find it difficult to react to short-term changes in their business environment. This is exactly where agile business transformation can help. The main goal for an insurance company in becoming agile is to balance stability and agility with complexity and simplicity.[1] The concepts of diversity, equity and inclusion (DE&I) and agility have many overlaps, their values and principles in particular showing many similarities. Both require at least a basic understanding of what people need in order to thrive and compel organisations to assess whether they have designed an inclusive and equitable working environment. Building an agile, self-sustaining and successful organisation makes the culture conversation a must-have item on the leadership agenda.[2]

Becoming Agile to Balance Stability and Agility with Complexity and Simplicity

The insurance business was once stable and predictable – but that is no longer the case. Growth without sacrificing profitability is challenging, climate change is irrevocably impacting certain risk profiles, distribution needs have become truly omnichannel and customers expect products that are tailored just for them. And all the while, technology has continued its relentless advance and an emerging player ecosystem is threatening to shake up customer acquisition.

The Covid-19 pandemic has compounded the difficulty of addressing these challenges. Customer and employee expectations changed more in 18 months than they did in the previous two decades. This has put immense pressure on the industry, and carriers have had to adjust practically – and, in some cases, literally overnight. Even though the pandemic has ebbed and flowed, the pace of change has remained relentless.

However, moving to more agile and technology-enabled business models requires a shift in workforce behavior, culture, and mindset. It is essential to prepare the workforce for this «new normal» and to secure their buy-in to make the most of new opportunities and the potential to carve out fresh revenue streams. Technology alone is not enough to transform business and boost results. Success requires people with the right skills, backed by the right technology.

Agility is more than just a framework, it is a way of working and mindset leveraging unique and diverse skills – and this is where the values and principles overlap with DE&I. A commitment to diversity, equity and inclusion brings purpose to your business, ignites commitment to employees and provides benefits to society. The pursuit of diversity is not just about doing the right thing. Inclusive teams lead to different perspectives, creative thinking, and open collaboration – aspects that are all part of the agile mindset and essential for the cultural shift to a successful, agile organisation. These two concepts go hand in hand.

Diversity, equity, and inclusion are vital in order to create and maintain a successful workplace and culture (see more information in Figure 1).

In general, «agile» is the ability to create and respond to change and therefore how we work and how we think about work. Most of us think of the iterative approach, which is often used for developing software, but there is a lot more to it than that. The way of working, which is implied and almost required when applying the «agile» concept effectively in a company, shows that the «people» component is one of the core pillars of the agile mindset. To better understand the correlation between DE&I and «agile», it is important to get to know the values of «agile» and what lies behind this mindset.

«Agile» comes with a governance, a mindset, and a way of working that helps companies meet increasingly complex market requirements, and this affects strategy, steering, structure, processes, culture, people, and leadership. It allows teams to use their unique skills and to deliver maximum value to customers rapidly and flexibly.

The agile mindset can be summarised as focusing on what is right, instead of who is right. It is essentially a moving away from traditional and bureaucratic leadership towards an innovative, collaborative, and self-organised environment, in which innovation and customer value are among the key factors. «Agile» breaks down barriers, flattens organizational hierarchy and gives employees far more independence and autonomy.
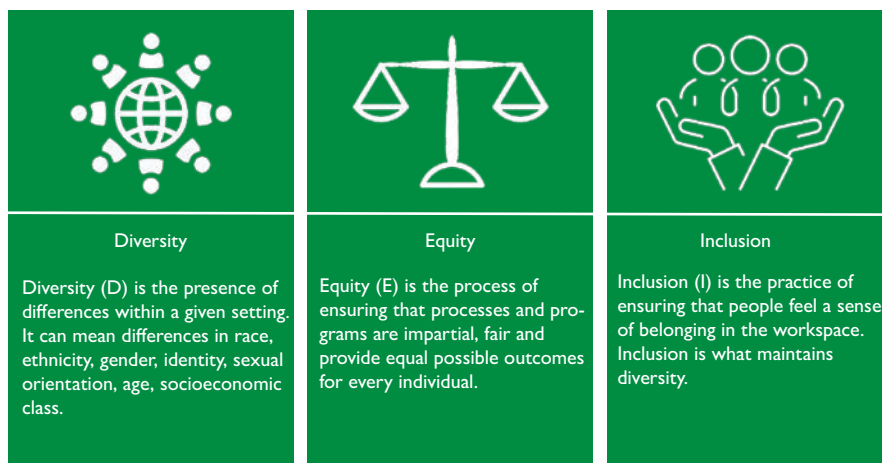
Agile mindsets focus more on core values, such as:
– respect,
– accountability,
– collaboration, and
– being adaptable to change, learning cycles and improvement.

This also implies a more welcoming and supportive environment, which goes hand in hand with DE&I and therefore leads to a more open-minded and critical approach to business practices. The agile mindset is driven by the «people» com-

Figure 1: Explanation of DE&I
Source: PwC, 2022

Diversity

Diversity (D) is the presence of differences within a given setting. It can mean differences in race, ethnicity, gender, identity, sexual orientation, age, socioeconomic class.

Equity

Equity (E) is the process of ensuring that processes and programs are impartial, fair and provide equal possible outcomes for every individual.

Inclusion

Inclusion (I) is the practice of ensuring that people feel a sense of belonging in the workspace. Inclusion is what maintains diversity.

ponent (innovation and problem-solving skills) and therefore incorporates a lot of team building and training. In the long-term, adapting this mindset means that the management structure should evolve into a more fluid and adaptable structure.[3]

The main goal for an agile company is to balance stability and agility with complexity and simplicity. In general, agile companies are prepared for an uncertain future while being sufficiently sophisticated in their response to change. The analysis of strategies identified striking similarities among successful, agile companies. Here are some of the traits they have in common:

– They consistently gear their products and services to the needs of their customers.
– They operate in an increasingly dynamic environment with high speed and very short time-to-market cycles.
– They offer their customers a seamless and consistent first-class service in the form of standardised customer journeys, regardless of the communication channel.
– They have highly satisfied customers who regularly recommend them to others.
– They follow an agile «manifesto» to realign their organisations accordingly.

Underpinning many of the agile frameworks, the «agile» manifesto brings the mindset to life. The concept was published in 2001 and was mainly used for software development. Those values and principles provide guidance on how to create and respond to change and how to deal with uncertainty. Figure 2 shows the values of the «agile» manifesto.

Agile teams enact three pillars to uphold their ability to minimise risk and maximise the value they deliver with each iteration: transparency, inspection, and adaptation.

Figure 2: Agile software development values
Source: PwC, 2022
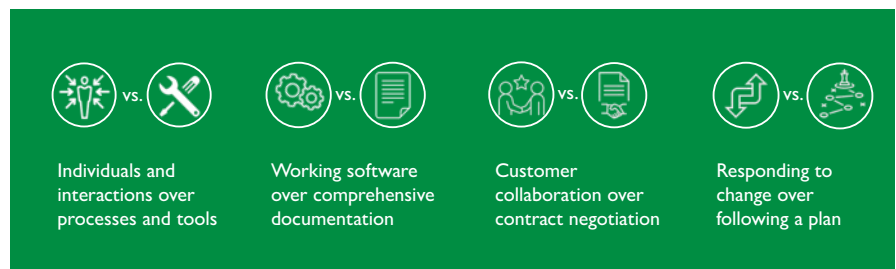
Even though the three pillars of Scrum and the Agile Team Values were not originally made explicit, when we revisit them with a commitment to DE&I, their value increases exponentially. A McKinsey study from 2019 finds that companies in the top quartile for gender diversity on executive teams were 25 percent more likely to have above-average profitability than companies in the fourth quartile – up from 21 percent in 2017 and 15 percent in 2014.[4]

DE&I is therefore good for agile teams, and agile teams can become more diverse, equitable and inclusive by intentionally practicing their pillars and values with DE&I in mind. Further interesting facts are available on the Scrum Alliance website.[5]

Including agile methods in their daily work allows insurers to change over time, and – more importantly – to respond to uncertainty with the stronger mindset of who they are and who they want to be. Moreover, this is about creating a trusting and highly productive environment. In particular, DE&I-related, agile frameworks are aspirational. This might be due to the industry that established these frameworks (firstly manufacturing, then adapted to software development), but all of these environments have one thing in common: well-documented challenges, which support and promote diverse workforces and create ideal en-

vironments where DE&I can thrive. Of course, «agile» and related frameworks are not a cure when it comes to erasing racism and other inequities, but they can help and guide us to act more consciously.

Successful, Agile Transformation: An Example

Even though some of the traits described above are already identified by many insurers (and some have already started working with/implementing the values and principles), it is still the start of a long journey for most insurers. Examples of successful, agile transformation projects do exist in the industry. The Dutch insurer ING, for instance, has introduced a leading, agile organisational model. Squads (small, autonomous teams), Tribes (multiple Squads on a common mission) and Chapters (specialists such as IT developers) provide the necessary structure for efficient, goal-oriented transformation. Personal roles, such as Tribe Lead, Product Owner, Agile Coach and Chapter Lead, create the right environment, define the vision, and provide support during the project.[6]

DE&I as a Must-Have for a Successful, Agile Organization

The agile manifesto, along with other industry standards, implies a connection between «agile» and DE&I. In fact, the

agile manifesto's first value of «individuals and interactions over processes and tools» indicates that, for «agile» to work, DE&I is a must-have. All these values can be seen/interpreted from a more cultural perspective. For example, the last value «responding to change over following a plan» is a good way of responding to people's needs, and not following strategies and trends that are planned for several years in favour of staying flexible to react to any upcoming changes and developments. It is important to listen to employees' needs and adapt the culture and conditions of the company accordingly. Today, more than ever, it is important to create a diverse and equal environment in which people feel comfortable to work. Otherwise, innovation and motivation of the teams will decrease dramatically and therefore also the performance of a company measured by its KPIs.

Yet, according to a survey from the Business Agility Institute, there is no explicit connection between the two; instead, they share the same idea behind the approach.[7] This creates a risk of people assuming that agile ways of working will naturally take over the role of DE&I and

that the voice of others' needs will be overlooked. The survey also indicates that the impact of linking these topics in corporate governance or including them in corporate strategy is not being used by all companies, or that the benefits are underestimated by companies. According to the Business Agility Institute, most respondents believe that their company is not making sufficient use of the benefits of these topics. These gaps may have been identified because the leadership was in a majority or even in cultural power and therefore the concept behind DE&I was not understood, embraced, or believed. This does not have to be a direct decision; moreover, management might also believe that all values of DE&I have already been included and are clear enough through internal policies, code of conducts and other documents. By focusing on agile processes and tools and putting DE&I alongside them, innovative thinking, employee well-being and disempowerment of team members is increased and therefore outcomes and missed business opportunities/leads are decreased.
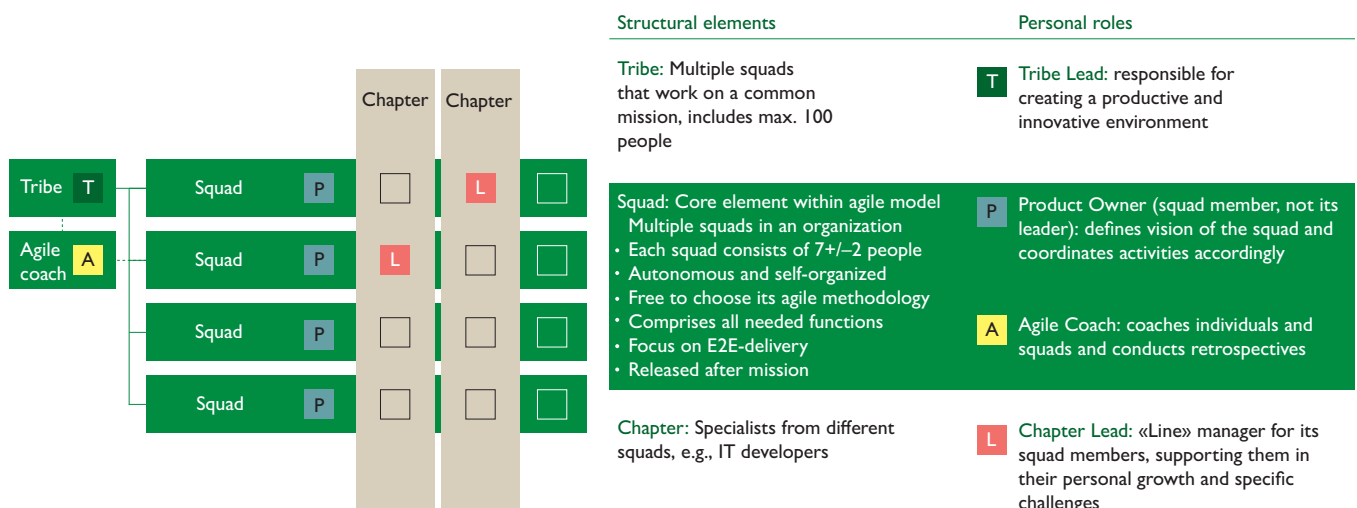
Culture Conversation: A Must-Have Item on the Leadership Agenda

Agile transformation is about revolutionizing the way insurance business is done and future-proofing it for the ever-changing internal factors, external competitors, industry trends and new technologies. Agile transformation ensures that teams adapt quickly to change and deliver short-term value – which is a key success factor for innovation and survival in a rapidly changing world.

However, successful business agility needs the right culture to be aligned with strategy, purpose and the operating model. Culture can be a powerful force, which supports retention and acts as an insurance policy against future crises. In its latest report, the Business Agility Institute declared that agile ways of working need further development with regard to the need for equity and inclusion, and the relationship between DE&I and «agile». Of course, this won't happen overnight and will require specific measures such as updating the necessary skill set of employees with regard to coaching and training, building accessible knowl-

Figure 3: ING's agile organizational model
Source: ING, 2015

Structural elements

Tribe: Multiple squads that work on a common mission, includes max. 100 people

Squad: Core element within agile model Multiple squads in an organization
- Each squad consists of 7+/–2 people
- Autonomous and self-organized
- Free to choose its agile methodology
- Comprises all needed functions
- Focus on E2E-delivery
- Released after mission

Chapter: Specialists from different squads, e.g., IT developers

Personal roles

T **Tribe Lead:** responsible for creating a productive and innovative environment

P **Product Owner** (squad member, not its leader): defines vision of the squad and coordinates activities accordingly

A **Agile Coach:** coaches individuals and squads and conducts retrospectives

L **Chapter Lead:** «Line» manager for its squad members, supporting them in their personal growth and specific challenges

edge resources and renewing training and certification practices and policies with more focus on DE&I. Furthermore, the benefits to be gained from using «agile» and DE&I must be highlighted and celebrated. Yet all of this is based on a changing work environment, in which all employees feel welcome without sensing the need to adjust. In particular, when outsiders or employees with different backgrounds/personality aspects have the impression that they need to change in order to fit into a company and therefore change the way they work, a barrier is created, which results in exclusion and inequity. All of these changes require innovative approaches and different angles and views to create and sustain a diverse, welcoming, inclusive workplace. Yet this mindset has to be lived through the leadership of a company and also through other bodies in the industry. This will not be one big change, but rather an iterative process of continuous improvement and realignment of reality and expectations, which should be lived across all insurers/industries, of all sizes and demographics.[8]

The valuing of individuals and interactions over processes and tools is one of the core principles of «agile», and this overlaps with the guiding principles of DE&I. DE&I asks organizations to verify and acknowledge the individual backgrounds and circumstances of each person within the team. Both of these concepts require organizations to understand the drive of their employees and asks organizations to check if their working environment is designed to be inclusive and equitable.[9]

How can a methodology that was originally created to develop software be adapted to a non-IT-related topic? To answer this question, it is crucial to keep in mind that «agile» is not only a methodology, but rather a mindset with values that an organization/team/department should live in its daily work life. The values of «agile» from adaptations like Scrum can be applied to DE&I if both topics are clearly understood, lived, and celebrated by the whole company.

Conclusion

We have seen that an organization's culture is deeply rooted and slow to evolve. However, 2020 showed that – when necessary – organizations can achieve rapid changes with a targeted focus on a few, critical behaviors. From now on, as leaders take on a long list of business imperatives such as digital transformation and adapting to changing working practices[10], organizational culture can be a powerful ally. Of course, there is still work to be done if organizations are to translate the good intentions of leaders on the subject of culture into measurable gains in employee retention, DE&I and transformation initiatives. Yet, when aligned with strategy, purpose and the operating model, culture can be a powerful force that supports retention and acts as an insurance policy against future crises.

The challenge is to overcome an industry culture that focuses on the past more than the future and tends to work behind the scenes rather than draw attention to itself. Insurers have a compelling story to tell. If they open up and start promoting themselves and the industry, they will put themselves in a strong position for growth, led and supported by intelligent and capable people.[11]

Notes

1   See https://www.strategyand.pwc.com/de/en/industries/financial-services/agile-insurer.html.
2   See https://api.businessagility.institute/storage/files/download-research/Reimagining%20Agility%20with%20Diversity,%20Equity,%20and%20Inclusion%20-%20Business%20Agility%20Institute%20v1.0.pdf.
3   See https://taskworld.com/blog/the-agile-mindset-7-best-practices-to-achieve-it/.
4   See https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters.
5   See https://resources.scrumalliance.org/Article/agile-meets-DE&I -values-scrum-help-better.
6   See https://www.strategyand.pwc.com/de/en/industries/financial-services/agile-insurer.html.
7   See https://api.businessagility.institute/storage/files/download-research/Reimagining%20Agility%20with%20Diversity,%20Equity,%20and%20Inclusion%20-%20Business%20Agility%20Institute%20v1.0.pdf.
8   See https://api.businessagility.institute/storage/files/download-research/Reimagining%20Agility%20with%20Diversity,%20Equity,%20and%20Inclusion%20-%20Business%20Agility%20Institute%20v1.0.pdf.
9   See https://www.agilealliance.org/agile101/ 2 Business Agility Institute.
10 See https://www.pwc.com/gx/en/issues/upskilling/global-culture-survey-2020/pwc-global-culture-survey-2021.pdf.
11 See https://www.pwc.com/us/en/industries/insurance/library/assets/next-in-insurance-overview-01-04-22.pdf.

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