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Creating a Modern Insurance Culture in the Digital Age

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What's the number one thing holding back the success of today's insurance companies? According to an in-depth McKinsey survey of executives, culture is the most significant self-reported barrier to effectiveness and success in the digital age, as opposed to strategy or talent.

An organization's culture is made up of much more than just social events on the company calendar or the benefits employees receive. Culture is a mentality; it's how every employee interacts within the company, represents the brand, and connects with customers. As digitalization continues to sweep across the insurance sector, organizations that are slower to evolve their culture are hurting, with McKinsey proving that cultural obstacles correlate with negative economic performance.

The Downfalls of Traditional Insurance Culture

Traditional insurance cultures are heavily structured and compartmentalized. They have a clear hierarchy where everyone understands their role and place within their department. These models emphasize claims and underwriting functions and produce deeply specialized individuals. In and of themselves, these are positive elements to have in a business. However, for insurance companies struggling with the modern state of the market, they limit success.

Functional and departmental silos pose significant drawbacks to traditional insurance cultures. Silos prohibit cross-functional teamwork, which results in certain parts of the company missing out on key pieces of information or insight from others. This encourages a narrow view of the company and fails to promote an understanding of the bigger picture required for capitalizing on today's opportunities.

Employees in traditional cultures are not empowered to make decisions or take calculated risks. They follow clear instructions to perform X action when Y scenario arises, but when increasingly unique situations arise, they are unable to take initiative or provide efficient resolution. This old-school view of insurance culture fails to take advantage of modern trends shaping the industry, which is where true innovation and competitive success can be found.

The Benefits of Modern Insurance Culture

In contrast, modern insurance cultures understand that digitalization is blurring the lines between industries, services, and products. If insurance distribution models are changing and

carrier strategies are evolving, so too must culture follow suit.

These companies remove the dividing lines between their departments in order to create multitalented employees with greater understanding of the information flowing through their organization. As a result, they understand the customer more than ever. Modern successful companies such as Amazon, Nordstrom, and Netflix are home to stellar customer-centric cultures, and insurance companies are taking note.

Today's consumers want clear information free of red tape and don't like being transferred from department to department. They expect consistency and products to be tailored to them, which can't happen when numerous siloes are in place or when employees aren't empowered to make decisions on their own. That requires some calculated risk-taking, but it's the only way to reach a company's full potential when it comes to customer service. The good news is the more information that is shared within an insurance company, the better each employee understands what a customer wants and can quickly deliver it. The snail-mail age is over; this is now a world of instant responses, and modern insurance cultures embrace that mentality.

How to Shift from One to the Other

Shifting into a modern culture takes more than a memorandum email or updated employee handbook. It requires training, practice, and a fundamental shift of perspective for everyone. Begin by assessing how employees and departments currently operate in order to remove silos and promote cross-functionality.

When one department has information that another lacks, it's necessary to ask why. McKinsey's survey identified siloed thinking and behavior as the top obstacle to a healthy digital culture, drawing on an example from a social services company. In that organization, customers were cancelling their service because of what one department was doing while the other departments had no idea. They lacked information, and as a result, couldn't rectify the issue fast enough to retain their clientele.

Interdepartmental communication is imperative for making sure the entire company is working toward the same goals. Connect employees with each other, providing times and places for interactions. Create new processes and mentalities that support opportunities for the sharing of information. Show one department what another is doing, and encourage questions and conversation. This can be done at the role, business unit, or departmental level across the entire organization.

Armed with more insight than ever before, employees should be empowered to take calculated risks. Making their own decisions rather than escalating the situation or taking the time to ask supervisors is how customers receive the fastest service. Encouraging this behavior requires reconfiguring incentive structures accordingly. Reward employees for committing to change and taking risks so they don't maintain the previous status quo and hold back the culture from evolving.

What This Means for Leadership

Culture is anchored in behaviors and social patterns and doesn't change easily. Shifting into a modern insurance culture optimized for the digital age requires strong leadership that institutes clear, actionable goals. McKinsey's findings suggest insurance executives must be proactive in shaping and measuring culture by approaching it as they approach operational transformations.

Leading by example is the prime way to ensure true cultural change. Insurance executives must immerse themselves in the projects of different departments to understand what's happening in the day-to-day and where barriers to cultural change exist. Rather than micromanage, such leaders should be a visible example of the company's mission, purpose, and values, getting employees to open up and communicate cross-functionally by personally rewarding and complimenting them.

This requires breaking up the chain of hierarchical decision making. Executives can empower employees by letting them know they have authority in their interactions with customers. This requires a strong level of trust from the c-suite, but if employees cannot be trusted to make the game-time decisions that retain current customers and close new ones, there are deeper issues to resolve. Removing "let me check with my supervisor" mentalities and keeping all but the largest business decisions closer to the employees who interact directly with customers are keys to shifting culture.

Setting aggressive goals from the top encourages employees to take necessary risks and embrace digitalization. Fulfilling those goals will also require a deeper understanding of customer experiences, expectations, and habits. Executives who embody customer-centric thinking ask questions such as "what have you heard from the customer lately?" It changes the conversations happening in the organization, which goes a long way in shaping culture. This is exactly how Progressive created their snapshot device for drivers to install on cars. By completely understanding their customers, Progressive was able to give the people what they wanted while attracting their most profitable customers and garnering tremendous amounts

of data.

An Insurance Culture for the Digital Age

Culture dictates how customers feel when they interact with your company, which can singlehandedly make the difference between success and failure in the insurance sector. A forward-thinking culture that changes with markets is not entrenched in the past, but focused on new opportunities and collaboration. Adaptation through a shared understanding of information and priorities is a requirement for modern businesses. Find the right executives who can break down silos, empower employees, and focus on customers, and you'll have found the beginnings of a new culture.

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