

TWINS OF ORGANIZATIONS

THE ACADEMY

ABOUT US

BOOKS

RESOURCES

SHOP

PORTAL



DE / EN

INNOVATIONS IN THE INSURANCE INDUSTRY

ISSN 1545-0111

Volume XI Number 3 2022

INNOVATION IN THE INSURANCE INDUSTRY: A DIAGNOSTIC PERSPECTIVE

Herbert Nold, Polk State College, Winter Haven/ Lakeland, Florida, USA
Lukas Michel, Agility Insights AG, Zug, Switzerland
Jose Perez, Polk State College, Winter Haven/ Lakeland, Florida, USA

ABSTRACT

Traditionally, competition in the insurance industry favoured efficiency strategies with exploitation-type business models founded on command and control management models. Managerial conversations focused on cost and risk metrics. In an industry with intangible, knowledge-rich products, 21st century digitalization, paired with the changing nature of work, offers nearly limitless opportunities for innovation. Successfully capturing innovation and growth opportunities, paired with more flexibility in dealing with dynamic market conditions, requires exploration-type strategic thinking and enabling management models. Executives must engage the knowledge, skills, and resources of people in unprecedented ways. The need to transform business and management models poses a risk to insurance executives in ways that stretch beyond the experience of most senior executives. Building on dynamic capabilities concepts, insurance companies should embrace management models that remove traditional management barriers. We employ the Performance Triangle (PT), Agile Maturity (AM), and the Context Framework (CF) models to explore the industry's current capabilities and management model. We build on our previous work and conducted surveys with managerial teams in insurance companies between 2018 to 2021. The study concluded that capability-based management models with dynamic capabilities can enhance the industry's capacity to capture the benefits of digitalization and the changing nature of work. Using PT, AM, and CF frameworks and diagnostic tools we attempt to advance the understanding of management models and dynamic capabilities in the insurance industry. The results identify numerous gaps or mismatches between the current and optimal future management structures and systems needed to transform traditional command and control management styles into a people-centric and dynamic model that is needed to encourage innovation.

Keywords: insurance; dynamic capabilities; management model; VUCA; agile; people-centric

1. INTRODUCTION

Insurance companies were innovative in the nineteen sixties and seventies. Since then, the industry has lost the innovative capacity in favor of exploitation-type strategies predominantly focused on competition based on decreasing costs and improving efficiency (Garb, 2011). In the 21st century new technologies, readily available discounted capital, new competitors such as InsureTec, and banks have entered the industry with more innovative business models that transformed traditional value chains. Disruptive business models have caused the insurance industry to become more dynamic and competitive. Digitalization forced prices to drop which squeezed the operating profit margins of traditional insurance companies (FINMA, 2020). Declining profit margins forced established insurance companies to rethink existing business models to improve efficiencies and identify new sources of revenue more than ever before.

The choice of management model determines much of an organization's ability to innovate (Barney, 1991). Business models and management models must align to maximize value creation. In the industrial 20th century stability, efficiency, and control dominated management thinking and models. In the 21st century the focus has shifted toward designing organizations that facilitate knowledge sharing and accelerate learning which stimulates innovation (Nold, 2012; Prahalad & Krishnan, 2008; Schramm, 2006). There is clear evidence of negative consequences resulting from traditional hierarchical structures and rigid

We are proud to present our newest publication on our research on innovation in the insurance industry.

"The results identify numerous gaps or mismatches between the current and optimal future management structures and systems needed to transform traditional command and control management styles into a people-centric and dynamic model that is needed to encourage innovation."

[LEARN MORE](#)

Since 2002, we create [twins of organizations](#) with the AI-based operating system for dynamic leadership.

[Management Insights](#) is an independent and privately owned company with headquarters in Zuoz, Switzerland.

For more information, contact [Lukas Michel](#), founder and author, or our [partners](#) across the world.

Experience the *free* [TWIN.](#)

 [Print](#)

 [PDF](#)

Published: 15:57:01 22.10.2022

Lukas Michel

ORGANIZATION

Businesses,
administrations

TEAM

Leadership and work
teams

EXECUTIVE

Managers and
experts

LUKAS
MICHEL | MANAGEMENT
INSIGHTS

Chaunt da Crusch 12
7524 Zuoz, Switzerland

T: +41 79 438 75 20

[CONTACT US](#)

*TWINS FOR DYNAMIC
LEADERSHIP*

NEWSLETTER

Sign-up to receive our e-mailresources

[SUBSCRIBE](#)

[Imprint / privacy](#)

THE PORTAL

Your access to extended

resources

[REGISTER](#)

© COPYRIGHT | 2002-2024 |

LUKAS MICHEL MANAGEMENT

INSIGHTS





Privacy settings

This website uses cookies and targeting technologies to provide you with a better internet experience. These technologies are furthermore used to measure findings and understand where our visitors come from or to improve our website. You can get further information about cookies in our [an in the](#) .

Details Essential only Accept all

Necessary Necessary cookies help make a website usable by enabling basic functions like page navigation and access to secure areas of the website. The website cannot function properly without these cookies.

NameVisitor session UseLogin, cart. This cookie is only set if a feature requiring it is used. Cookie NamesPHPSESSID, clxsid

NameFrontend language UseThe selected frontend language. Cookie NameslangId

NamePrivacy note UseSave settings of the privacy note. Cookie

NamesClxCookieNote

Close