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Agile operating models

The insurance industry is increasingly embracing digital transformation and evolving business models to improve customer experience, streamline operations, provide innovative products and enhance risk management. Digital technologies, such as cloud, artificial intelligence (AI), data analytics and automation, are pioneering the modernisation of insurance organisations and improving the total customer value proposition. KPMG global research identified that the insurance industry continues to drive a digital-first approach, with customer centricity continuing to be key to capture and sustain business growth¹.

As the insurance industry shifts towards digital, it is important to ensure that digital investments are creating value throughout the transformation process in a sustainable manner. A recent survey conducted by Harvard Business Review revealed that only 31% of expected revenue uplift and 25% of expected cost savings were realised through investments in digital and AI². For insurers to better capitalise on the business benefits brought on by digital technologies, digital investments should be aligned to customer value creation and technology teams and business owners need to work closely together.

Introducing 'Agile'

Agile, whilst initially designed as a methodology aimed at improving project management and delivery capabilities, has evolved into a way organisations structure and deliver products continuously and collaboratively. It is founded on a set of

principles (Agile Manifesto)³ that enable organisations to respond faster to change and improve time to market. While traditional Waterfall⁴ delivery methods deliver value at the end of a project, Agile follows an approach of breaking down large and complex requirements into smaller working segments that realise quicker time to value. Enterprise Agile has become imperative to modern technology delivery models, supporting changing customer needs and building business versatility and resilience to support an evolving insurance market.

As the concept of Agile evolved, it was identified that the framework and principles also found application to the broader enterprise. The broader enterprise-wide adoption resulted in the implementation of Agile operating models, which can be defined as an approach where an organisation's structures, processes and culture are designed to embrace the principles of agile methodologies. An Agile operating model introduces business benefits through cross functional teams, flatter structures, iterative work cycles, flexible planning, performance metrics, customer centricity and collaboration, to name but a few.

¹ <https://kpmg.com/us/en/articles/2024/experience-payoffs-how-to-deliver-successful-customer-experience.html>

² <https://hbr.org/2023/07/the-value-of-digital-transformation>

³ The Agile Manifesto is a document that outlines the central values and principles of Agile software development. Officially referred to as the Manifesto for Agile Software Development, the guide aims to provide an effective model for teams to successfully adopt the philosophy of Agile project management and use it to improve their work process. (<https://www.wrike.com/agile-guide/agile-manifesto/>)

⁴ The waterfall model is a linear, sequential approach to the software development lifecycle (SDLC) that is popular in software engineering and product development. (<https://www.techtarget.com/searchsoftwarequality/definition/waterfall-model#:~:text=The%20waterfall%20model%20is%20a,the%20edge%20of%20a%20cliff>)

KPMG developed a supporting framework for the design of an Agile operating model. The image set out below depicts the key levers of the KPMG Agile Operating Model framework.

Performance management

- Quantified strategic themes
- End-to-end leading metrics
- Outcome based
- Team over individual

Organisation and governance

- Value stream and product driven organisational design
- Business and IT integration
- Empowered teams
- Agile aligned lines of defence

People, skills and culture

- Agile leadership and mindset
- Agile competences
- Engineering culture

Capabilities and services

- Product and service management
- Agile team and scaling methods
- Development operations

Locations and partner ecosystem

- Integrated supplier ecosystem
- Agile contracting
- Facilities enhancing agile working

Technology

- Modular architecture
- On-demand infrastructure as code
- Continuous integration, continuous deployment



World renowned academic and business consultant, Clayton Christensen, noted that of the 30 000 new products introduced each year on a global and cross-sectoral basis, 95% failed. This was largely due to a lack of empathy and understanding of customer needs when designing new products⁵. For this reason, insurance organisations need to ensure that products and services consider the customer at the core of the design and execution process.

Collaboration between business and technology teams is essential in adopting an Agile approach, with the role of 'Product Owner' being the integration point between the two teams. The Product Owner plays a key role in representing the business, ultimately ensuring that products are aligned to the customers for whom they are designed. This role is key in driving the business strategy and direction of the product, and helping shape the technology roadmap to ensure products are suitable for customers. This includes remaining abreast of changing customer expectations, regulations and market conditions.

⁵ <https://professionalprograms.mit.edu/blog/design/why-95-of-new-products-miss-the-mark-and-how-yours-can-avoid-the-same-fate/>

The benefits of an Agile operating model

Insurance organisations are increasingly adopting Agile operating models, with great results. These insurers have been observed to introduce new products and features faster to the market, allowing the insurer to respond to the needs of the customer and market demands in an easily adaptable manner. Salesforce Research conducted a survey where it was identified that 80% of customers believe that customer experience is as important as the product and service. In addition, the research identified that customers expect personalisation when technology advances, more data is provided by the customer, and the customer spends more money for the product or service⁶.

Customer experience and products need to evolve according to the changing customer expectation. Agile is a key enabler to support faster delivery of new products, features and functionality, which continually adapts to customer preferences and desired experience. In addition to the changing customer needs, the flexibility and iterative nature of this operating model supports the ability to manage risk and compliance with regulatory requirements. This approach underscores the importance of communication and collaboration between business and technology teams, to create better alignment between ideation, design and build, resulting in products with lower defects, higher sustained quality and greater market success – ultimately providing the insurer with a competitive edge.

Set out in the table to the right are key considerations for an insurer in building a business case to adopt an Agile operating model:

Business case factor	Detailed consideration
Increased flexibility and adaptability	Agile organisations can quickly pivot in response to market changes, emerging trends or customer feedback. This is due to shorter planning cycles and the iterative nature of Agile work.
Faster time to market	By breaking projects into smaller, manageable pieces and focusing on the delivery of minimum viable products, Agile enables organisations to release products and services more quickly, often improving competitiveness.
Enhanced customer satisfaction	Through frequent releases and continuous feedback, Agile helps ensure that the final product aligns closely with customer needs, leading to improved customer satisfaction and loyalty.
Improved product quality	Agile practices encourage regular testing and quality assurance throughout the development process, which can result in higher quality products released to market.
Increased efficiency	By minimising bureaucracy, encouraging cross-functional collaboration and eliminating unnecessary work, Agile helps to increase the efficiency of teams.
Enhanced innovation	The iterative approach of Agile allows for the exploration of new ideas at a lower cost. Teams can experiment with different solutions and pivot based on results, fostering a culture of innovation.
Higher employee engagement and morale	Agile often leads to more satisfied employees due to its emphasis on collaboration, autonomy and the sense of achievement that comes from rapid, incremental progress.
Better risk management	Agile's iterative nature allows for early detection and resolution of issues, reducing risks related to budget, time and scope overruns.
Continuous improvement	The retrospective aspect of Agile promotes a cycle of reflection and improvement at regular intervals, driving incremental improvements in both products and processes.
Improved collaboration and communication	Agile organisations emphasise open communication and collaboration, which can result in more cohesive teams and better cross-functional work.
Enhanced collaboration and alignment between business and IT	Agile promotes the alignment of business stakeholders and IT development teams by involving both in regular planning, review and feedback sessions.

⁶ <https://www.salesforce.com/resources/articles/customer-expectations/>



Figure 1 - SAFe research: key benefits realised by customers.

The adoption of an Agile operating model brings a profusion of benefits, supported by research and client case studies from Scaled Agile⁷:

- enhanced engagement and a happier employee experience through collaboration;
- employee satisfaction through working towards a common goal;
- improvement in productivity by breaking down silos and driving decision making within product teams; and
- quality and time to market is improved through increased focus and dedication to the product and consumers.

Key considerations for effective implementation

- **Clarity in roles and responsibilities to enhance delivery**

The adoption of Agile within the insurance industry requires patience and time to test to iteratively adopt the best methodologies and practices. In addition, changing the culture and behaviours to support a new operating model requires a robust change management framework and a focused skills development programme to ensure continuity and sustainability in operations and performance.

- **Effective change management**

Culture and discipline are important, particularly as it relates to self-autonomous teams, allowing decision making and governance to reside within teams to make quicker decisions in favour of the customer and business proposition. In addition, teams need to take responsibility for their actions and own the outcomes of the delivery. Change management practices will aid the resistance, with close monitoring of performance metrics across teams to address specific challenges as and if they arise.

- **The congruence of technologies to effectively support segmentation and agile delivery**

Many legacy insurance technologies are limited in being able to provide information at a segmented or product level to enable effective monitoring and analysis at a granular level. This is where Insurtechs are capitalising and offering micro-service solutions to best serve business segments and provide choice in selection and decision making. It is important to understand the technology landscape, and how best to segment for delivery and support.

- **Leadership support**

Initial transitions require high levels of communication within teams to align the workforce to the strategy and value of the transition. Leadership can play an active role in guiding and steering the adoption from the transition phase to when operations normalise. It is important that implementation of an Agile operating model is seen as a continuous transformation journey, requiring leaders to remain active within the process.

⁷ <https://scaledagileframework.com/>

Conclusion

Agile supports the anchoring of customer centricity in products and services, enabled by a focused and cross-functional team, integrating business and technology in everyday work.

There is no one-sized-fits-all or single solution to adopting an Agile operating model. The best approach is through trial and error, whereby learnings are captured to continuously improve and scale as the model matures. Taking a phased approach has less risk associated with impacting business operations and performance and allows the workforce to transition at a pace that is manageable for the change ahead.

