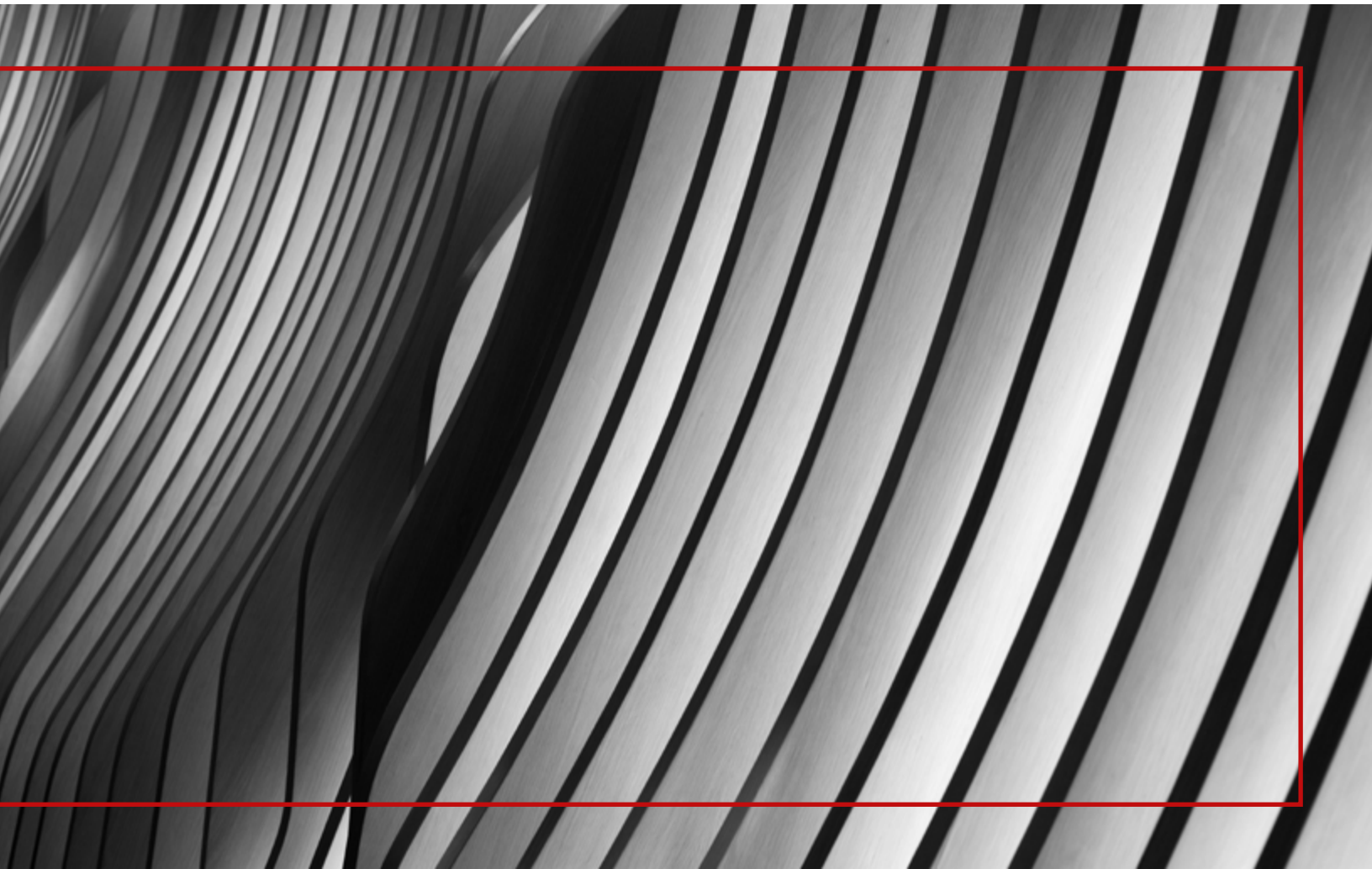


BUILDING AN AGILE READY CULTURE



ABSTRACT

Insurance companies face unprecedented expectations from their customers and stakeholders to innovate their market offerings and act efficiently in their internal processes. Insurers are investing heavily in their capabilities and offerings to combat changing customer expectations, disruptive innovation and leverage digital enablement to gain market share from direct competitors and keep smaller, nimbler entrants at bay. Organizations are rethinking how they deliver new capabilities to deliver on increased expectations. Agile project management has come to the forefront as a more responsive and iterative method to go from ideation to implementation.

Several industry drivers correspond with the urgency and focus on responsive delivery. IT spending in the insurance industry is forecasted to grow at 3.3% from 2019 to 2020¹ and global InsurTech market revenue is expected to double from 2018 to 2023 (\$532 million in 2018 and forecast to reach \$1.12 billion by 2023).² While InsurTech will look to compliment and partner with carriers in several ways, many are looking to replace insurers altogether by meeting changing customer demands in a digital era³.

To combat this new competitive landscape, those who invest wisely and execute effectively stand to set themselves apart and established carriers can strengthen their position. Several focal points are impacting the industry including user lifestyle, omnichannel approaches, leveraging InsurTech innovation and efficiency demands. Specific business lines and services may be more immediately impacted than others. Projections of premiums in private auto insurance anticipate premiums exceeding \$90 billion by 2022 that will account for more than 30% of overall U.S. auto premiums⁴. Insurers will be forced to make sound investment decisions and implement quickly to stay relevant.

Insurance firms have either transformed or are in the process of transforming their project delivery to use Agile methods to realize the maximum return on these planned investments. Agile allows firms to cut through the bureaucracy to facilitate faster decision making and improve value creation flexibility. Firms must focus on several common challenges and success factors to improve the likelihood of the successful adoption of Agile.

Agile is becoming a ubiquitous term among project managers. However, its specific methods are still in the process of adoption into the organizational culture. "Although 44% of respondents stated that they were extremely knowledgeable regarding Agile

development practices, 80% said their organization was at or below a 'still maturing' level⁵." This learning curve has created several pitfalls for project managers and organizations. Organizations need to fully invest in adopting the entire Agile methodology to see benefits. Straddling the practices of the traditional methods while trying to adopt Agile will lead to lower productivity and impede progress along the maturity model.

A case study from a U.S. insurer outlines the need for governance and growing adoption. While the organization depicted had a desire to adopt Agile methods, the approach and execution led to failure. The lessons learned from the experience and the existing industry drivers serve to outline a key conclusion: the hybrid Agile approach does not work.

AGILE ADOPTION DRIVERS

Agile project management is in demand for its emphasis on iteration and continuous refinement. Agile distinguishes itself from traditional methods by giving stakeholders the ability to review finalized components and provide input to adapt components incrementally, empowering product owners closest to development, allowing quick and adaptive adjustments throughout the project lifecycle. Compare this to 'waterfall' approaches that specify up-front scoping, emphasize top-down decision-making and a lengthy development period. In contrast, the Agile approach allows expansive organizations, with corresponding bureaucracies, to be more efficient at the project level because it encourages active collaboration. To transition an organization to the Agile approach; management must

“67% of organizations find that Agile has improved the frequency of their product releases⁷.”

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become comfortable with allowing project teams to make critical judgment calls along the way, knowing the focus is on the value of the iterative process. The numbers back up the value of this process as "Agile projects see success 3x more often than traditional Waterfall projects (49% overall success vs. 14%)⁶." This empowerment of the project team is a huge cultural shift away from how some insurers are currently structured and accustomed to operating.

'MAIN STREET INSURER' CASE STUDY

Recently, a U.S. insurer pursued adopting the Agile method for an operations project already in progress, let's call them Main Street Insurer (MSI), they selected a vendor system to serve as the foundation of its future in-house reporting system. MSI wanted to tailor processes and features based on requirements from stakeholders. Main Street Insurer made several key mistakes that resulted in high resource turnover and left the project in disarray.

Most of the mistakes were correctable with proper execution and a reconciliation of pain points. Unfortunately, most organizations repeat these unforced errors and don't learn from them. How an organization leads an Agile project impacts how they will differentiate. To quote an Agile trainer from earlier in my career, "one does not 'Do Agile', but rather, one has to 'Be Agile'." The goal of this case study is to illustrate some of the common pitfall's insurers encounter while trying to adopt Agile methodology and identify best practices to increase the likelihood of success.

CHALLENGES

Main Street Insurer struggled with Agile because they adopted the label before implementing the appropriate changes to both the organization and resources. The successful shift from traditional methods to an Agile culture mid-project requires stakeholders to be fully informed, prepared and trained. Management support and communication should be clear and must be consistent, reinforce support and highly visible. One best practice to ensure adoption is to communicate and reinforce the message that change is "non-negotiable⁸."

Common Mistakes in adopting Agile methodology:

1. Inaccurately assessing your organization's maturity curve
2. Investment shortcomings in training
3. Reverting to old methods when attempting to adopt

Mistake 1: Assessing the Maturity Curve: For an institution to adopt Agile methodologies, it is best to start at the project level, eventually scale up to the portfolio level and finally ensure your entire organization is designed to use Agile effectively. As a starting point, apply the basic principle of Know Thyself. Produce an objective analysis of where an organization sits in the Agile maturity model.

Exhibit A. Stages of the Maturity Curve

LEVEL 0 – BEGINNER	LEVEL 1 – PROJECT	LEVEL 2 – PROGRAM	LEVEL 3 – ORGANIZATIONAL
<ul style="list-style-type: none"> ✓ Adoption of Agile processes ✓ Resources begin to mold Agile roles ✓ Create Agile deliverables 	<ul style="list-style-type: none"> ✓ Multi-disciplined teams ✓ Co-location of resources ✓ Formal education and training for project team ✓ Dedicated Scrum Master 	<ul style="list-style-type: none"> ✓ All level 1 aspects + ✓ Collaboration practices ✓ Product owner from the business ✓ Software Engineer ✓ Automated and Frequent Releases ✓ Sprint retrospectives 	<ul style="list-style-type: none"> ✓ All Level 2 aspects + ✓ Organizational level adoption ✓ Transformed incentives rewarding collaboration ✓ Continuous improvement ✓ Sprint cadences of 3 weeks ✓ Automated Testing Lifecycle

By adequately assessing an organizations ability to implement Agile, the expectations and future improvements will have a realistic context. At Main Street Insurer, there was a lack of respect for the time and difficulty involved in moving from traditional to an Agile project methodology. By expecting to change methods overnight, the insurer was setting up the team for failure, delays and frustration.

Mistake 2: Investment Shortcomings in Training: An organization should be prepared to invest the necessary resources for training to move from the traditional methods to Agile. The maturity phases typically start at Level 0, which may be a team self-educating on how to perform Agile methodology. Level 1 is considered the beginner

stage for the project level. For Level 1, you use multi-disciplined and co-located teams, IT product owners, a dedicated Scrum Master and formal, coached training. Level 2 adds a true product owner and automated testing. Lastly, a mature Level 3 organization focuses on continuous improvement and delivery, three-week sprint cadences for development and automated end-to-end testing. MSI decided it was already at Level 3 when it had not offered even basic classroom training to its resources at the time of transition.

To ensure that necessary movement along the maturity levels occur companies should train resources on the differences in deliverables and language between Agile and traditional methods.

Exhibit B. Common Key Terms for Waterfall and Agile.

	WATERFALL EQUIVALENT	AGILE TERM	AGILE TERM
PLAN	BRDs	User Stories	Unique features or requests
	Non-Approved Projects	Backlog	Set of prioritized work items
ESTIMATE	High level sizing's	User Story Points	Scope of stories
WORK	N/A	Sprints	Short and repeated delivery iterations
PROGRESS	PM Work Plan	Story Boards	Track the story progress
	Application Development Est.	Velocity	Track the capacity of sprints
	Deliverable Completion Status	Burn Down	Track the task work remaining
CLOSE	SIT Completion Milestone	Definition of Done	List of criteria ensuring quality
	UAT Completion Milestone	Minimal Viable Product (MVP)	The minimum value delivered considered to stand alone

To illustrate the fixed versus variable aspects comparing traditional to Agile, reference Exhibit C.

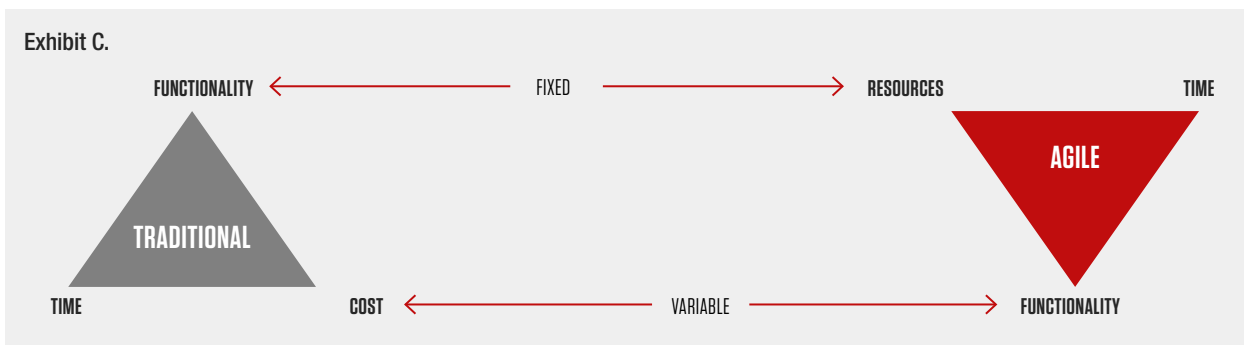
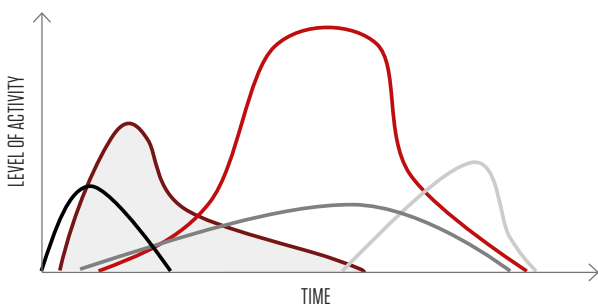


Exhibit D.⁹

TRADITIONAL PLANNING FOCUS

In a traditional project set-up, the majority of planning activities is concentrated on the beginning of the project / project phase.

At this point in time, little is known about the problem domain, business environment and team dynamics.



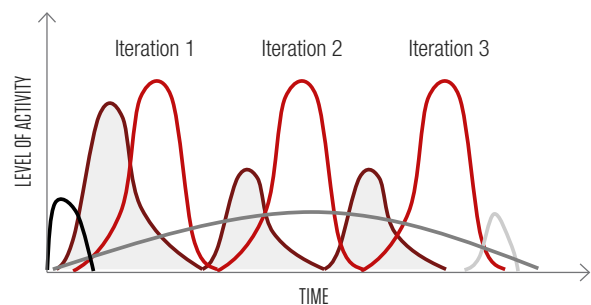
— Initiating — Planning — Executing — Monitoring & Controlling — Closing

Proper training increases the likelihood of adoption and ensures all project resources are speaking the same language. The difference between Agile and traditional methods is not just

AGILE PLANNING FOCUS

Agile methods make planning a more **highly visible** and **iterative component** of the project lifecycle.

The total amount of planning on an agile project often ends up being more compared to a traditional project. The major difference is that planning is distributed differently.



found in the language but in the 12 principles of Agile. Each organization can choose to which of the 8 principles to prioritize based on need.

COMMON AGILE PRINCIPLES (AGILE MANIFESTO.ORG)		DESCRIPTION
1	The highest priority is to satisfy the end customer with early and continuous delivery of value.	Reinforce the value of iterative delivery by consistently adding incrementally.
2	Welcome changing requirements even late in the development stages. Agile processes harness change into a competitive advantage.	A key differentiator between Agile and traditional approaches is the ability to react and respond to changing priorities or requirements.
3	The business and development teams must work together daily throughout the project.	Whether co-located or virtual, teams must interact on a consistent basis to ensure common understanding and foster productive collaboration.
4	Empower trustworthy, motivated individuals and give them a supportive environment to get a job done.	Management should provide support and remove impediments to ensure project teams can focus on delivery with a feeling of ownership.
5	Whenever possible, convey information face-to-face. It is the most efficient and effective communication method.	Remove any barriers created by a lack of context or subtext by leveraging co-location or any technology available.
6	Agile promotes sustainable development on a continuous basis.	The iterative nature of Agile will build efficiency during development as project teams refine interactions.
7	The best architectures, requirements and designs come from self-organizing teams.	In contrast to traditional top down organizational hierarchies, allow project teams flexibility to organize in a way that makes them the most productive.
8	At regular intervals, invest in time to review and adjust how to become a more effective team.	As a best practice, Agile sprints should conclude with a retrospective where the project team can evaluate opportunities for process improvements to be used in subsequent sprints.

Mistake 3: Reverting to old methods: The most damaging pitfall MSI fell into was its reliance on old methods to bridge gaps in familiarity and training. Project resources and management remained dependent on traditional approaches. Management would slowly fall into the trap of using both approaches, Agile and traditional causing duplication of work, dramatic drops in productivity and minimal value delivery. Sub-optimal activities included using a traditional project plan, relying on translating existing business requirements into user stories and forcing resources to quickly shift from traditional activities to Agile without clear alignment of roles and responsibilities.

The stress of change left project resources looking for familiarity and comfort. The project lead became both a scrum master and the product owner despite these being separate roles requiring unique responsibilities and skills. The product owner is expected to own the vision and roadmap for the project, provide subject matter expertise

and be an end user advocate. The Scrum Master is a facilitation role requiring dedicated team coaching, guiding processes, organizing resources, removing impediments and constantly challenging the project to improve. With skill gaps, people playing two roles and a poorly matched leader, the project didn't stand a chance of success.

Review and Adjust: Frustrating the team involved most was ignoring one of Agile's key principles, Review and Adjust. While traditional projects invest in planning and organizing up front, and are less likely to be adaptable, Agile is specifically intended to allow and encourage flexible change. MSIs team members had Agile experience offered advice. They encouraged sprint retrospectives to focus on process improvements that may have boosted the sprint cycle's productivity and reinforced simplicity. Unfortunately, these potential improvements were ignored, and management retained a top-down approach to steering despite the continuous decline in productivity and escalating output issues.

SUCCESS FACTORS:

Even though the project had inherent pitfalls by the nature of its mid-project shift, MSI could have benefited from a more significant application of the success factors detailed below. The learning curve and significant project scope would have been challenging for any traditional top-down environment beginning to transform, but if the team worked within Agile's principles success was possible.

Management Support: Organizations need to educate management to ensure competent advocates exist for upcoming transitions. Once transformations begin, management needs to be consistently visible. Managers must communicate expectations for what may be a significant shift in approach and culture.

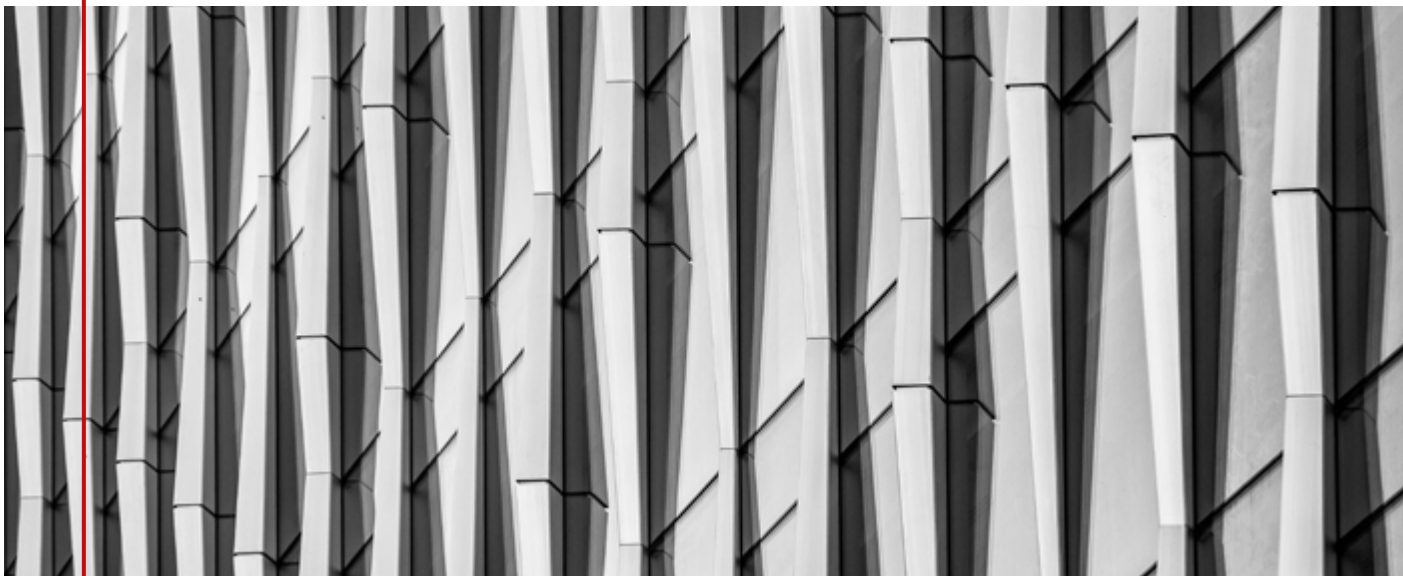
Align Agile Values: The methods and principles of Agile promote customized exercises and practices. When you follow Agile's foundational principles, a team can customize hands-on project management to fit the environment.

Team Interactions: In today's global institutions, the likelihood of finding a co-located team can be low. Regardless of how many time zones and work styles are involved, leverage techniques like stand-up meetings as a regular pulse check and opportunity for collaboration, helping teams to find tailored methods. Consistent and regular pulse checks facilitate continuous improvement.

CONCLUSION:

Agile methodology can provide continuous improvement and value to the organizations that adopt their practices. For a successful adoption, organizations need to recognize the appropriate level of transformation required at the project, program, or organization level, ensuring the change management plan offers an opportunity for success. Project managers and technologists alike will tend to work within routines they have grown to trust over a career. All organizations struggle with change, which in practice comes down to its people and their interactions. Agile is an adaptive project management approach that relies on those interactions and on the collaborative environment it fosters.

Capco can help prevent an organization from falling into the same traps as Main Street Insurer, performing unintentional and undesirable hybrid "Wagile" projects. We recognize our client's positions in the maturity cycle and plan appropriately to bring you to the next stage. Capco partners with you to provide the training needed to support the project team and the stakeholders. By showing consistent visible support, and allowing your teams to reconcile which customizations work best for them, projects have a far greater chance for success. The best method for ensuring success in implementing Agile projects is avoiding hybrid models and scale appropriately for your organization.



AUTHOR

Vincent Molinari

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