Driving Cultural Transformation in Insurance Companies for Sustainable Success

Insurers who foster a culture of innovation, agility, and customer-centricity can strengthen their long-term resilience in the shifting insurance market.

Do rigid hierarchies still have a place in the modern insurance sector? Strict checks and balances helped companies strengthen accountability in the past, but recent research has insurers rethinking the impact of bureaucracy on the customer and employee experience. Today:

- 58% of health insurance customers faced delays and denials of care within the past year.
- Over 30% of policyholders report dissatisfaction with digital channels.
- 50% of the current insurance workforce will retire by 2036.

A thorough evaluation of how red tape effects organizational resilience, innovation, and agility is in order. As the insurance market continues its rapid evolution, traditional approaches could hinder long-term success, and leaders may need to drive cultural transformation—holistic change across values, behaviors, and operations—to foster sustainable growth within their organizations.

The Need for Cultural Transformation in Insurance Companies

The insurance sector has experienced an unprecedented rate of disruption in recent years. In our previous analysis, we discussed the growth of underwriting losses due to the intensifying impacts of climate change, theft, and other issues. Risk prediction has never been more complex. Add to this environment rising customer expectations and economic volatility, and it's evident that change is ongoing.

Many companies are shifting toward flexible strategies that enable swift responses as market trends and consumer demands evolve. However, the rigidity of traditional insurance company culture can hinder these developments. Ideas pass through significant numbers of people before implementation—and as a result, innovation often slows while policyholders struggle to get timely support.

Insurtech promises to be a panacea for many surmounting challenges—but fully leveraging new technologies can require a cultural transformation in itself. While digital transformation equips employees with direct access to data, collaboration channels, and productivity-fueling low-code tools, silos may persist if they remain a cultural norm. It is leaders who *encourage* their workforce to share knowledge and ideas that can fuel agility and data-driven decisions across the organization.

Two other challenges strongly hierarchal organizations face are eroding trust and undermined leadership accountability—both of which can be incredibly damaging for compliance and employee retention. Amidst growing regulatory oversight and rising demand for transparency among leaders and workers, companies face pressures to prioritize ethics, inclusivity, and a free flow of information. This cultural shift, once again, begins at the top.

Key Elements of Successful Cultural Transformation

Cultural transformation is a gradual process that, first and foremost, requires the commitment of the insurance C-suite. Leaders shape the direction of the entire organization, providing the clear roadmap and consistent communications employees need to align behind a shared vision, values, and norms. Executives also take the lead in developing processes (often leveraging insurtech) that embed the new culture into everyday behaviors and decision-making.

This reinforcement is crucial to widespread adoption—but top-performing leaders also recognize that culture cannot remain static. In the early stages of implementation, a flexible approach enables effective change management.

Executives can involve employees in the transformation process—listening to and making changes based on their ideas and feedback—to build enthusiasm for the shifting culture.

In the long term, flexibility allows leaders to align their culture with larger strategic and societal shifts, ensuring the organization remains relevant and responsive. Between 2017 and 2020, for example, 25% of insurance CEOs updated their company's purpose to account for its broader impact; 9% are considering this change as consumers *and* top talent increasingly prioritize the purpose-driven organization. This openness to change further supports the culture of agility and experimentation that insurers must shift toward.

Professional development programs are critical to supporting cultural transformation in insurance companies, too. With ongoing training, leaders can shift employees away from excessive specialization and strengthen the adaptability of their workforce. Training initiatives can also reinforce the organization's customer-centric culture, which McKinsey reports can elevate insurance employee satisfaction by 20%.

Overcoming Cultural Transformation Barriers

Achieving all the elements required for a successful cultural transformation can be a complex process. As such, it is no surprise that 76% of executives fail to fully improve culture, despite 92% agreeing that doing so would increase their firm's value. Top executives need *persistence* to drive cultural adoption in every facet of the organization.

Perhaps the most difficult hurdle to overcome is resistance to change. Research suggests professionals naturally develop a sense of fear or anxiety around change, which can negatively impact their long-term performance if left unaddressed. Senior leaders play an important role in easing this resistance, seeking feedback and addressing concerns on an ongoing basis; once again, involving employees in cultural decisions can also play a key role in fostering buy-in.

Of course, executive teams can face challenges in adoption, too. Misalignment between strategy and culture can hinder progress toward strategic goals. This emphasizes the importance of ongoing collaboration and calibration *within* the C-suite during the cultural transformation process.

Tracking key performance indicators (KPIs) can help ease these critical challenges. McKinsey reports companies only use 29% of the metrics they mean to follow during change management—yet robust data can provide a 360-degree view

of how employee behaviors, customer satisfaction, and business outcomes shift throughout the transformation process. Thorough KPI-tracking empowers leaders to regularly optimize their change management efforts *and* ensure the right business results.

The Future of Culture in Insurance Companies

It is important to reiterate that culture cannot remain stagnant—and even within the cultural transformation process, change may need to occur. Macrotrends in the insurance industry, from the rise of sustainability to the adoption of artificial intelligence, may urge insurance companies to embrace digital literacy and environmental, social, and governance (ESG) criteria as core cultural priorities.

For leaders, assessing existing cultures and moving toward agility is the first step to resilience—but the next stage may involve proactively adapting their cultures to stay competitive and meet future challenges. Success can be strengthened through continuous evolution with innovative insurance leaders at the helm.