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## Failing Forward: How Silicon Valley Works Better

By Lance Poole

I've recently had the good fortune to make two trips to Silicon Valley in as many months. The first was as part of an innovation immersion project in which I, along with several colleagues, visited companies such as Google, Paypal, IDEO, and others to learn about their innovation processes and what has led to their success. The second trip was to attend a Design Thinking Boot Camp course at the d.School (Institute of Design at Stanford).

The first part of this article will focus on what I learned about innovation while in Silicon Valley. Part 2 will spend more time explaining how to use the process. In it, I'll present an overview on Design Thinking and how it can be applied to insurance product development. We'll dive deeper into topics such as how to:

- Improve empathy,
- Define the problem,
- Ideate (brainstorm),
- Prototype, and
- Test.

### Part 1 Intro

At times it feels like insurance companies and insurance product development are thousands of miles away from Silicon Valley. In a sense it's true—there is a large geographic divide, as the largest insurance hubs in the United States are in New York, Chicago, and Des Moines. The larger divide, however, is in environment and culture.

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## Environment

When you first walk into many Silicon Valley companies you notice several differences between their cultures and that of a “typical” insurance company. Everyone seems to be wearing jeans. There are 372 bikes parked outside the main entrance of the corporate HQ. The work stations are open, with lots of meeting spaces. The cubicles are small, but very creatively decorated. Traditional offices are almost non-existent. And the food! Google is well known for having amazing food in its corporate cafeteria and ample supplies of snacks and cappuccino. After lunching on some of the best gazpacho in my life, I can attest that they do have great food, and many of the other companies also create an environment where food is something you don’t have to think about. And the food creates informal gatherings which, in turn, increases communication and community and leads to a more enjoyable, productive work environment.

At every company we visited I asked, “How important is the work environment?” In other words, would you be as innovative with clearly defined hierarchy, grey cubicles with high walls, food that you had to pay for? The resounding response was, “No way!”

So I guess a good question for company executives is, “How do you expect your employees to drive inno-

vation if you have an environment that is so vastly different than that of the gold standard for innovation and creative thought?” You may wonder if you have to redesign the corporate HQ to look like IDEO to get to the right answer. In some cases a dramatic change is required, but for most, small incremental steps can help get your group headed in the right direction. One simple step that we have taken at Protective Life is to turn a conference room into a product development “war room.” We have things on the wall that inspire creative thought and the room is stocked with snacks, à la Google. This room is great for collaboration and solving difficult problems.

## Culture

After seeing first hand how Silicon Valley Companies work, it’s not clear to me whether the culture gave birth to the environment, or vice versa. Silicon Valley firms are complex ecosystems. It’s difficult to boil down the culture and key operating principals into a few key points, but I’ll try. To make the task more manageable, I’ll focus on three areas where the Silicon Valley approach is most different from a traditional insurance company.

- Failing Forward;
- Small Teams – People skinny, talent rich; and
- Autonomy.

## Failing Forward

Failing forward is simply the getting to a solution by quickly eliminating possible “answers” by rapidly prototyping and testing. To loosely quote IDEO CEO Tim Brown, failing forward is “building to think, rather than thinking to build.” Each iteration gives some insight and brings you closer to a solution. I’ll cover this in more detail in Part 2.

An important cultural dynamic at work here is that these firms have created an environment where it’s safe to fail. In fact, at most firms, failures are celebrated in some form or fashion because the company recognizes that failure is part of progress. At one company I visited, they actually have a party (with champagne!) to celebrate the biggest failure of the year. Can you envision that? Well if not, you should try! Because embrac-

ing failure is part of what has led to game-changing innovation.

Before you think these firms are soft and accept mediocrity, let me define failure more clearly. For these firms, they are referring to a low fidelity (“lo-fi”) prototype or test that ultimately didn’t work, but led to insight on how to change the product or process. A “celebrate-able” failure would not be, for example, taking one year to roll out a product with a nationwide, heavily (and costly) promoted launch only to find out six months after launch that there’s a huge risk in the product design. “Celebrate-able” failures are small, quick, and always move the organization forward.

After my Design Thinking Boot Camp experience I have several ideas about how to prototype insurance products and services, which I will outline in Part 2 in the next edition.

### Small Teams

The companies we visited operated from the “two pizzas” principal: You want a team that is small enough to be fed on two pizzas. If you are not sure what this means (because, if like me, two pizzas fed you and your college roommate), a two-pizza team would have a maximum of eight to 10 members. Ultimately the make-up depends on what kind of problem you are trying to solve, but the general idea is that you want a cross functional team of talented individuals. Here’s an example: We recently faced a fork in the road around implementing a product on system A, B or C. Instead of debating the question over three months and ultimately not having buy-in from key stakeholders, we assembled a two pizza team in our Product Development War Room and made a decision in two days. The ultimate decision was not the obvious one given goals around launch timing, but the small, talented team was able to devise solutions that none of the individuals could have developed on his or her own. Our team consisted of a lawyer, two systems managers, two actuaries, a project manager, and an operations manager.

Here’s the hidden benefit of small teams: accountability. There is nowhere to hide in a small team. Every member must make a contribution, or it is apparent to

the group who is not holding up their end of the bargain. Think of how many meetings you have been in with 20 people in the room and 20 more on the phone? It’s not even logistically possible for each member to contribute. The model at most companies is to have a large meeting and then the members each go back to their desk to work on their part of the project. The Silicon Valley model is to have the work get done in a team environment and skip the meeting!

### Autonomy

Daniel Pink, author of the bestselling book, *Drive*, defines autonomy as the desire to direct one’s own life. Google is famously known for allowing their engineers to spend 20 percent of their time (i.e., one day a week) working on whatever project they chose. Another way we saw Silicon Valley companies give autonomy was through a hack day. This is a day (or days) to work on any project, with anyone in the company. The company who shared the hack day results with us said that the goal was to come up with an idea that would “improve the lives of our customers.” So as you can see, the end goal is very broad. After the hack days were over, a panel of senior level executives judged the ideas generated. The top three received some small monetary compensation, but more importantly, they were given the opportunity to present their ideas to the board of directors.

So what were the results? One of the top ideas was implemented on the company website just two days after the hack session, and drove substantial increases in website traffic, revenue, and positive press. A key takeaway from this example is that there must be a clear line of sight between good ideas, the impact the

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idea has, and recognition the contributors receive. If you put a suggestion box in the lobby but do nothing with the suggestions, people will eventually stop contributing. If you give employees autonomy to come up with creative solutions, then implement their great ideas, and reward them professionally, you can expect game-changing results.

So what does a hack day look like for an insurance company? I think it would look very similar to the one held by the Silicon Valley company. All that is needed is a clearly defined (but it can be broad) goal, and autonomy for employees to spend a few days coming up with solutions. The solution doesn't have to be a nationwide rollout of a major product. It could be something as simple as a prototype.

### Conclusion

My experience witnessing the innovative environment and culture of successful Silicon Valley firms was eye-opening. If your company environment and culture is

the same as that of your competitors, don't expect to get results that are exceptional. Instead, leverage the principals and process of successful Silicon Valley companies to drive innovation and empower your employees. My theory is this will lead to better solutions and increased employee engagement.

### Resources

If you are interested in arranging an innovation immersion trip for your team, consider contacting the people at Innovation Lab ([www.innovationlab.com](http://www.innovationlab.com)). They provide coaching and facilitate discussion and discovery of insights, in addition to arranging the logistics.

If you want to think about redesigning spaces, read *Make Space* by Scott Doorley and Scott Witthoft.

For more information on IDEO and to also see how they work, search on YouTube for "The Deep Dive," a great video on the company's shopping cart redesign. ■