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The Promise and Risk of Industry Disruption: Generational and Technological Trends

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If you were in attendance at the Society of Actuaries (SOA) Annual Meeting & Exhibit in Austin, Texas, this fall, you had the opportunity to hear the opening keynote address by Salim Ismail. He is a Silicon Valley entrepreneur whose current job is executive director at Singularity University, a group committed to using technology to create a massive impact for good in the world. His talk was wide-ranging, but I will focus on two topics that have relevance to us as small company actuaries. He addressed how the millennial generation is changing the workplace, and also spoke about technologies' power to disrupt existing businesses at a very rapid rate. This article is based upon his keynote address, as well as his book, *Exponential Organizations*.

Why focus on millennials? It is estimated that 10,000 baby boomers are leaving the workforce every day and Generation X is simply not big enough to fill the gap. Millennials make up 36 percent of the workforce (the most of any of the generations), and it is estimated that they will be nearly half by the end of 2020. Millennials are thought to make up 53.5 million of the working population.

Millennials, Ismail maintains, come into the workforce with a different set of values than prior generations. Although fair wages and benefits are a concern to them, their true reason for taking a job (or staying with a job) is its purpose. Both as employees and consumers they want to associate themselves with companies that are doing something important in the world, something that makes a positive difference—organizations that think BIG. They are looking for challenge, and will often freely contribute their own time and resources in order to meet a worthy challenge. For example, the purpose statement for Singularity University is “Positively impact one billion people.” A goal that lofty sounds unattainable at first, but it attracts a level of talent that is most suited to making these aspirations a reality.

Ismail posits that every organization needs a Massive Transformative Purpose (or MTP). Millennials want to make a difference in the world, and they will be able to tell very quickly if an organization is simply doing the same as last year, but a little faster or more cheaply. That kind of goal does not capture the hearts and minds of employees. Make no mistake—continuous improve-

ment and consistent quality work are crucial to an organization's long-term success. But there should also be a higher purpose toward which the organization is aimed. Millennials will get behind something big and aspirational and will leave organizations that are largely committed to maintaining the status quo.

Interestingly, some of this desire for purpose is attributed to millennials being digitally native in their upbringing. Ubiquitous Internet access and hours upon hours of computer or console gaming have instilled in them a natural bent toward technology in solving problems and a desire to make the world a better place for all (to “level up”). Ismail cites that the average young person racks up more than 10,000 hours of gaming by the age of 21. (That's almost as much time as a child spends in middle school through high school.) He encourages us to leverage that, and to try and create fun and engaging experiences in the workplace that lead to both a sense of accomplishment and further the organization's mission. This leads to more engaged and passionate employees who will show their own initiative in solving bigger and more complex challenges within the organization. Keep them challenged and fulfilled and you will have more success in retaining the employee.

Many insurance organizations (auto and health, to name two) are using “gamification” to drive consumer behavior and to create safer and healthier habits by awarding points, status and even discounts to those who “win” by scoring high on desired attributes over time. This is directly feeding the innate desire for challenge, competition and a sense of accomplishment. Rather

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than the traditional suggestion box, what if you were to challenge teams within an organization to tackle a specific business problem, with rewards and status to the winners? The key is to offer a challenge big enough and interesting enough to capture people's imaginations as to what the world would be like if this challenge were overcome.

When a group of motivated, technologically savvy, purpose-driven individuals band together, don't be too surprised if they are highly motivated to challenge and supplant the status quo. This can be somewhat intimidating since, as author John Hagel notes, “Our organizations are set up to withstand change from the outside.” This leads to Ismail's second major point about disruption from within and without. Look at the number of businesses that have been turned on their heads over the last 15

years or so, with the pace of change accelerating year after year. I'll cite two examples that you may be familiar with.

Airbnb is a company that leverages users' extra bedrooms. It offers lodging at a fraction of the cost of most hotels, usually in individuals' homes or apartments. Both lodgers and hosts are kept honest by scoring each other after each stay. If either has low scores, they will have difficulty finding hosts or lodgers willing to work with them in the future. Airbnb operates 500,000 listings in 33,000 cities and is on pace to become the largest provider of room-nights *in the world* by the end of the decade. Do the Marriotts, Hiltons and Motel 6's of the world feel disrupted? You bet.

A second example is Uber. Similar to a taxi service, Uber provides users with an app that connects riders with drivers who pick them up in their personal vehicles and take them where they want to go. Often there is a private vehicle near where you are that can arrive much faster and deliver you more inexpensively than a traditional cab service. Like Airbnb, riders give a rating to drivers so that other potential riders will have an unbiased assessment of how well a particular driver is faring (pun intended). Best of all, you leave your credit card information on file with Uber and the cost is automatically charged once you are delivered to your destination. No tipping, no worrying if you have enough cash; just a clean transaction. In many cities the taxi services have lobbied to keep Uber from being allowed to conduct business in their city, with some success. However, given its success in other markets, cities are starting to reverse their decisions and let Uber in.

Can this type of disruption happen in the insurance industry? It certainly seems likely. While many will argue that the com-

plexity of insurance regulation and other barriers to entry will keep outsiders from invading the insurance space, I'm sure the taxi drivers' unions were making an analogous argument a few years ago. So it is important for your organization to consider how scalable technology and creative thinking from outside your industry can radically change the way you do business. Let's use the life insurance business as an example. Do you allow consumers or agents to submit applications online? Do you deliver policies online? How many human touches does it take for you to issue a piece of new business? What if your MTP was "75 percent of our policies underwritten and issued the same day"? It may seem an insurmountable goal today, but it is the type of challenge that people can rally around. And if you were to achieve that goal profitably, how much disruption do you think you could create in the marketplace?

Ismail's message struck a chord with me as an executive and actuary at a smaller insurance company. I had to ask myself: "How would the world be different if our organization did not exist? What unique *purpose* do we serve?" Additionally, "How might we be disruptive to the market if we wanted to create something *transformative and massive*? How might we be disrupted if we don't decide to do the disrupting ourselves?" Asking and answering these questions today will help your organization thrive in a world of rapid technological and social change both now and into the future. ■



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