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## WHITEPAPER

# Effective digital transformation requires a comprehensive strategy

To remain relevant and grow, insurers must offer digital services across all elements of the business.

The pandemic ushered in a new era of disruption across the insurance industry that has yet to subside. In addition to figuring out how to run their businesses with remote workers, insurance companies have had to address new customer expectations for digital interactions driven by the availability of new solutions from a crop of disruptive insurtech companies. To maintain their relevance as well as grow, insurers must offer fast, efficient services across all aspects of their businesses. Accomplishing that task requires a high level of digital maturity. But without a holistic strategy for digital transformation, that level of maturity will be difficult to reach.

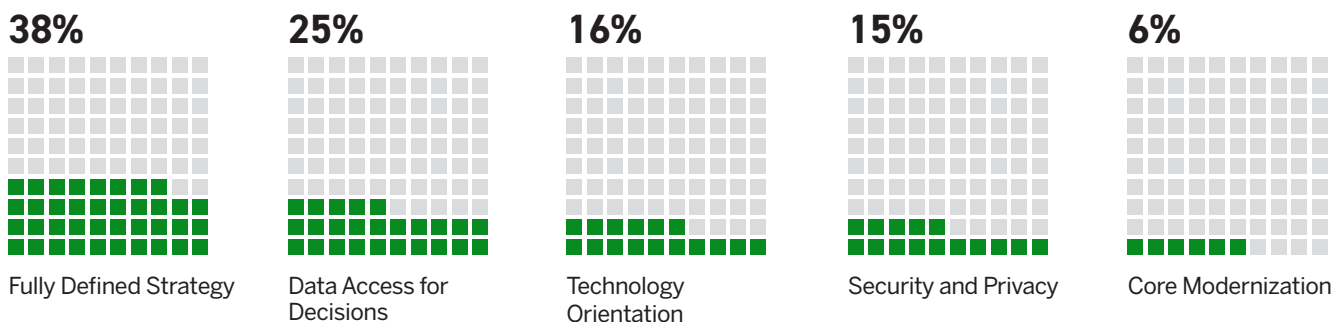
In February 2022, Arizent conducted research to explore the state of digital transformation across various industry sectors, including insurance. The research sought to identify the drivers that are critical for developing a future-ready technology strategy to advance innovation and drive business growth.

### A well-defined strategy is critical

Despite the widespread digital acceleration that occurred during the pandemic, digital transformation remains a work in progress for the vast majority of insurers. Across all industries, at least half are still in the early stages of their digital transformation journey. Relatively few—only 12%—consider themselves digitally transformed in most areas of their business.

The single most significant factor in leveraging technology to drive digital transformation is a fully defined strategy (see Figure 1).

**Figure 1. Importance of factors that drive effective use of technology for digital transformation**



Source: Arizent Research, February 2022. Shapely regression importance scores for regression model ( $R^2=55$ )  
Base size: Total respondents n=394



## A holistic strategy allows insurers to transform the individual dishes of their transformative technologies and capabilities into a coherent meal.

— **Jeff Hiegert**, Industry Strategy and Product Manager, Hyland

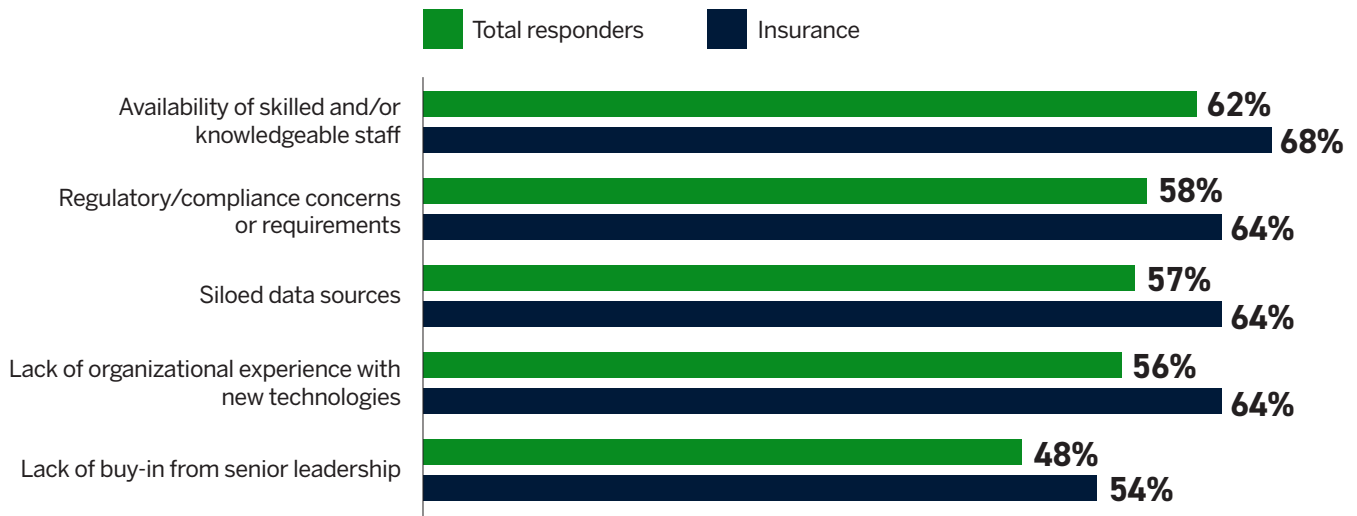
### IT and business leaders need to be fully aligned

The top three digital transformation priorities for insurance companies are improving the customer experience (70%), delivering operational efficiencies (57%) and driving business growth (48%). Innovative technologies can play a role in achieving these priorities, but effectively choosing and implementing those technologies can be a challenge. Integrating new solutions into existing workflows (70%) and integrating legacy systems with new technologies (68%) are the primary barriers to advancing technology initiatives across industries.

For the insurance industry in particular, a risk-averse mentality can create challenges when implementing new technologies that drive digital transformation. Risk mitigation is woven into the industry's DNA, so worries about what could go wrong with new technology can slow adoption. In some cases, IT departments see the value of deploying a new technology, but the risk-averse nature of the business side holds the firm back. When that happens, getting everyone on the same page is critical. Insurers must address these business priorities in a way that balances efficiency and scalability, while also minimizing risk.

Further complicating matters, nearly six in ten insurers identify a lack of in-house skill or knowledge as a barrier to advancing technology initiatives (see Figure 2). Regulatory compliance and siloed data sources also create headaches for IT departments seeking to implement solutions.

**Figure 2. Barriers to advancing technology initiatives**



Source: Arizent Research, February 2022

Base size: Total respondents n=394 Insurance n=107

Question: What are the barriers to advancing technology initiatives at your organization?

Getting it right requires firms to take a broader perspective on their efforts. If IT departments and business units aren't working toward the same overarching goals, it becomes much more difficult to solve business problems efficiently and effectively. In the same way that it's impossible to shop for the ingredients to serve a meal if you don't know what you're going to cook, it's difficult for insurers to make decisions about what technology to buy and implement if they aren't clear about how that technology will help them advance their primary business goals.

## **Building a more holistic digital transformation framework**

Thinking about digital transformation holistically means tying choices about technology implementation to larger goals. For example, rather than simply thinking about how to move from paper processes to digital, IT and business stakeholders should be thinking instead about how the business itself needs to change to use digital document technologies efficiently, while also improving the customer experience.

Developing and acting on a holistic strategy requires a broader conversation about the technology and services that will support digital transformation efforts. This conversation may include elements such as cloud hosting, managed services and content management. For example, an insurer looking to improve the customer experience might identify a need to speed up claims. A suite of content services that offers the ability to automate digital claims using machine learning could ultimately be the solution.

Organizations that need additional help wading through the growing sea of technology options to support a given solution might find it easier to go through a managed services provider with the hands-on experience to make informed decisions and implement them effectively. This approach would also have the advantage of freeing up internal IT resources to focus on other important technology priorities within the business, including executing day-to-day tasks, seeking additional operational efficiencies and managing risk.

With tech talent increasingly difficult to attract and retain, insurers also need to ensure their choices aren't limited by a lack of in-house skills. Cloud hosting and managed services can help firms fill in infrastructure gaps where the most effective technology choices might not be available or visible due to their existing resources.

## **Flexibility makes companies more responsive and resilient**

Digital transformation is ultimately less of a goal than it is an ongoing process. After all, a solution that improves the customer experience today won't necessarily address the customer demands of tomorrow. Insurance remains a competitive marketplace. It is becoming easier than ever for customers to change insurers and disruptive insurtech startups are entering the marketplace in increasing numbers. Organizations that are inclined to wait until something goes wrong before they change their technology may find it's too late, particularly if something goes wrong at a pivotal moment, like first notice of loss.

The easier it becomes for customers to move around, the greater this risk becomes. And the longer insurance companies wait to adopt a comprehensive strategy, the more likely they will be to find themselves reacting to the marketplace, rather than meeting—or, better, staying ahead of—evolving trends.

Having the right mix of technology, processes and people in place can help IT departments develop a more flexible, forward-looking strategy. As a result, they will be able to expand their innovation strategy to address the future in addition to the present. For example, implementing cloud architecture today may allow an insurer to get data to where it can be used in real time when the need arises. This choice could also relieve some of the constraints on modernizing or replacing legacy systems by removing some of their downstream dependencies.

With the right framework in place, insurers can make future digital innovation easier and more efficient to implement. This agility will make it possible to adapt to a rapidly changing industry more quickly and successfully. Given the increasing speed of change, that level of resilience is likely to become only more valuable in the coming years.

## Methodology

In February 2022, Arizent Research conducted an online survey of 394 management-level respondents from the banking, mortgage, insurance and wealth management sectors. The primary objective of the research was to explore the state of digital transformation across various industry sectors and to identify the drivers that are critical for developing a future-ready technology strategy to advance innovation and drive business growth.

The Hyland logo consists of a square with a green-to-blue gradient background. The word "Hyland" is written in white, sans-serif font, centered within the square.

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