

Insurance Practice

How Allianz Turkey created an agile organization

In this interview, Tolga Gürkan and Aylin Somersan Coqui explain how the organization pursued a multiyear agile transformation and is now reaping its benefits.



In late 2017, the insurer Allianz Turkey was contending with a highly competitive and fast-changing national market across all product lines. To strengthen their competitive position, company leaders knew they would need the ability to manage market conditions faster and in a more dynamic way. The company also needed to create a more collaborative environment and help its teams gain a better cross-functional perspective. They needed to be more agile.

To further that goal and deal with a rapidly changing market, the company embarked on an enterprise-wide agile transformation. By May 2019, approximately 400 of its employees started working in an agile operating model.

McKinsey senior partner Gokhan Sari and partner Mehmet Yenigun spoke with Tolga Gürkan, Allianz Turkey's current CEO and the one who led this transformation effort, and Aylin Somersan Coqui, Allianz Turkey's former CEO (now Allianz's global chief risk officer), who initiated the transformation. We discussed why the company embarked on the transformation in the first place, what the journey was like, and what the benefits and lessons were after one year.

McKinsey: *Ms. Somersan Coqui, what prompted you and your leadership team to undertake such a large-scale transformation initiative?*

Aylin Somersan Coqui: Thanks to our functional organization setup, over the years Allianz had built functional excellence across key elements of the insurance value chain, such as pricing and claims, which ensured sustainable, profitable growth. However, at times, we felt that our functional structure created silos and hindered effective collaboration among departments. Often, we found ourselves with too many initiatives, diluting our focus on key priorities. Our functions were more inward-focused, trying to solve parts of problems from the perspective of their specific remit. This operating model yielded many, sometimes overlapping, formal

and informal structures—such as task forces and steering committees—to properly collaborate and run the business. Still, too many decisions escalated to the level of the CEO. I often had to step in to bring multiple departments together for a decision.

Another motivating factor for us in adopting agile practices is that we realized we had already, albeit unknowingly, done this successfully once before. In 2017, there were significant regulatory changes in the motor third-party liability market, including a price ceiling that significantly lowered the profitability of the business. We actively managed the adverse situation by adjusting our business mix, collaborating with our distribution partners, and further optimizing our risk model. Daily stand-up meetings, close collaboration among departments, full transparency on actions, and focused execution helped us to successfully navigate a difficult situation. Looking at it in retrospect, we had certainly adopted the agile mindset to this initiative. This realization and experience made the leadership team believe that a large-scale agile transformation would solve many of these issues in all business lines and strongly position us for the next phase of our growth.

McKinsey: *How did you go about the enterprise agility journey? Where did you start?*

Aylin Somersan Coqui: We had already experimented with agility as we modernized our core IT platform. More than 100 people were involved in a multi-country effort, and we were very happy with how effectively the teams collaborated and delivered results in a timely manner. We saw a significant increase in speed, on-time and within-budget delivery, as well as an increase in motivation and empowerment across teams. Employees who worked in an agile environment enjoyed it so much that they did not want to go back to their functional environments. Encouraged by this experiment, we created a plan for rolling out agile practices across the organization.



Aylin Somersan Coqui is Allianz's global chief risk officer. Ms. Somersan Coqui has worked at multiple Allianz subsidiaries since 2003, including Allianz Germany, Allianz Turkey, PIMCO, and Allianz Global Investors. Between 2013 and 2018, she served as Allianz Turkey's CFO and then its CEO.



Tolga Gürkan is Allianz Turkey's chief executive officer. Since joining in 2007, Mr. Gürkan has managed large-scale transformation programs in claims, underwriting, customer care, IT, and digitalization. Prior to his role as CEO, Mr. Gürkan served as chief operating officer of Allianz Turkey.

Before scaling up, we decided to first run a pilot with motor insurance, which was and still is one of Allianz Turkey's largest businesses by gross written premiums. We chose motor insurance due to its rapidly changing and demanding market conditions. We also knew that, with our existing resources, we could form cross-functional teams with end-to-end accountability.

We transformed our motor business organization into an agile tribe¹ and closely monitored the working model for six months, incorporating lessons learned as we designed the remaining tribes. Consequently, we designed and launched three additional product tribes plus a digital tribe and a central IT tribe.

For us, designing a tribe was not only about structuring squads and chapters. We thought long and hard about answering some of the key questions that arise when undergoing such a large-

scale transformation. One was about how to align strategic priorities of tribes and manage their dependencies. To address this, we built a comprehensive business review process and a number of alignment ceremonies—these are planning meetings where different agile and non-agile teams set expectations, manage dependencies, and actively collaborate to achieve business results. A second question was around designing a brand-new people model in a completely flat organization. We launched new career paths and consensus-driven performance management mechanisms to provide clear routes for individual growth for our people in an agile world. Finally, we needed to rethink how we design our IT teams to both maintain a strong IT backbone and offer the flexibility that tribes need. We therefore introduced a new IT organization where the IT backbone and delivery teams were completely segregated.

¹ A tribe is a collection of squads and chapters built to deliver business missions. A squad is a small, multidisciplinary, and autonomous team that can respond quickly to fast-changing market opportunities and customer demands. A chapter is an agile group focused on a single capability, and is responsible for feeding the right talent to squads.

McKinsey: *Mr. Gürkan, you were the COO when the transformation kicked off. When you took over as CEO, how did you work to overcome the challenges involved in scaling up agility?*

Tolga Gürkan: The enterprise agile transformation is surely one of the most challenging organizational transformations we've been through. It is definitely not straightforward and there are many critical decisions involved, but two topics were most crucial for us.

The first was effectively managing the narrative during the vision-building and pilot phases. Like any organizational change program, agile transformation is a sensitive topic by its nature. It is so easy to misinterpret the objectives of the program and be skeptical about its benefits. We knew that if we were not careful with communication, many of our people would be worried about losing their jobs or status in the organization. Therefore, we initially treated it as an evolution, not a revolutionary change. Once the pilot gained traction and proved its success, we were able to boldly communicate what enterprise agility meant for us. For instance, we initially did not require our employees to change their business titles on their business cards or LinkedIn. However, a few months into life with tribes, we observed that people started internalizing the operating model and started changing their titles on LinkedIn to the likes of "tribe member," "product owner," or "chapter lead" quite naturally.

The second was ensuring that cultural transformation was a priority from the get-go. With the initial, or front-runner, tribe, we quickly understood that "doing agile" is quite different than "being agile." We observed that it was relatively simple to do agile—from an organizational perspective we can change our employees' operating rhythm with new processes and change our governance model fairly quickly. But being agile involves changing how people behave day in and day out, and it therefore takes much longer to achieve.

We started by identifying a few critical behaviors that we wanted all our people to exhibit: showing

ownership at all levels, being performance-oriented, and collaborating effectively beyond hierarchy. We then focused on making those behavioral changes in moments of truth. For each these behaviors, we defined where we are today and where we want to be in the future. Consequently, we launched an ongoing leadership development program and new training programs for our people to encourage them to model these behaviors and catalyze the change.

McKinsey: *What are the greatest benefits that you have observed so far?*

Tolga Gürkan: The benefits of enterprise-wide agility are of two types: those that we can easily measure and others that we can observe in our daily lives.

The most immediate measurable benefit is simplification in our organization and governance. By reducing layers of management from seven to three, we significantly increased the number of "doers," people who work on the front line. With cross-functional, end-to-end teams, we reduced handovers, created complete accountability, and improved time to market for launching new products from six to nine months to an unprecedented speed in the industry of four to six weeks. One of our tribes, for instance, had an idea for an insurance product for solar energy panels, and launched that product in the market four weeks later.

Another measurable benefit was happier employees. As tribe members internalized our new agile operating model, their engagement scores skyrocketed and now rank highest in the organization. We also reduced the number of our management committees, simplifying the way we govern our teams. Through all these leading metrics, we observed superior market performance and customer satisfaction in all lines of our business.

The improvements we have observed in our daily working environment are just as valuable as these measurable metrics. There is now extreme transparency on performance and resource allocation. Each squad has a performance dashboard that they review continuously. These dashboards

then roll up at tribe and company levels. As CEO, at any given time I am now able to immediately see reasons for over- or underperformance and where we are spending our resources. This kind of transparency also gives us the opportunity to easily identify areas of the organization where we need to inject new talent.

With the level of close collaboration within and across our cross-functional teams, our agile operating model unleashed hidden talents and significantly increased our ability to innovate; all our tribes are continually coming up with breakthrough products and processes. And because our employees are happier and feel empowered to innovate, our transformation has also helped us with recruiting. By explaining our agile model to potential hires, we have been able to attract new talent from various industries and inject needed skills into our teams.

McKinsey: *How has the agile team adjusted to working remotely during the COVID-19 outbreak?*

Tolga Gürkan: Our teams that have adopted agile principles are adapting extremely well to remote work. The handover of work from one team to another can be difficult, especially when team members are not co-located. But having members from multiple functional areas in one team naturally minimizes the need for such handovers. In addition, we have moved all agile ceremonies to a virtual environment. This ensures that our teams can continue their ceremonies, though modified, while working from their homes. We also introduced new social gatherings to maintain a sense of team and collaboration within tribes.

I loved what one of our tribe members recently said to me: “The feeling of waking up in the morning with a purpose and completing achievable tasks from my team’s backlog has kept me motivated during these difficult times and comfortable with working from home.” Comments like this are proof that all our hard work during this multiyear transformation was worth the effort.

McKinsey: *What are your recommendations for other leaders who are considering adopting agility at scale?*

Aylin Somersan Coqui: First, build full conviction among your leadership. Moving to an enterprise-wide agile organization is a multiyear journey that requires full motivation and sponsorship of the whole C-suite. It is also a delicate transition which often results in changes to the way an executive committee is structured. Therefore, managing leadership chemistry will be extremely important. Once on board, they need to collectively go through a leadership journey to learn and model behaviors that they want the whole organization to exhibit.

Second, do not go full scale from the get-go; rather, start small and strong. It may sound obvious, but organizations should approach agile transformations in an agile way. Have an end-state vision in mind from the very beginning, but get there gradually, learning from every agile team and continuously improving the design. Pick a front-runner tribe and set it up for success by selecting a strong tribe lead who already has the right mentality, designing a mission-oriented tribe, and operationalizing it with comprehensive training.

Third, there is no one size of agile that fits all. Every organization goes through its own agile journey—but all require a cultural and leadership transformation as well as a mindset change throughout the organization. Agile tools and methodologies are only the tip of the iceberg. There is much to learn, and people need to invest the time and energy to create their own journeys.

Tolga Gürkan: Building on what Aylin said, I would add two points.

Organizations that start this journey should not conclude that the work is done once tribes are launched—that milestone is merely the beginning of the transformation. Agile transformation is not about moving boxes and lines. Driving agile maturity requires dedicated resources and a disciplined

effort. To manage this need, we set up an agile office under our HR department with a team of highly skilled agile coaches who are staffed across our tribes. The coaches' sole responsibility is to improve the agile way of working and drive agile maturity organization-wide.

Also, organizations that undergo agile transformation should dramatically increase their focus on transforming their people. An agile operating model requires new capabilities—such as a growth mindset, empowerment, and a performance orientation—that are generally secondary in traditional organizations. Building such capabilities with dedicated learning journeys for agile roles, and sometimes bringing in top talent from outside to fuel tribes, is essential in this new model.

McKinsey: *Now that you have made significant progress in your agile transformation, what is next for Allianz Turkey?*

Tolga Gürkan: Through the transparency that agile transformation provided on performance and resource allocation, we learned so much on not only what we can improve, but also what we can become. We now wholeheartedly believe that we need to continue the journey that we started several years ago to become a truly digital insurance company. This is not an easy feat. It starts with being completely customer oriented and addressing their needs in an increasingly simplified and digital way. It also requires collecting and storing data in an effective way and having the capabilities to analyze data using advanced techniques, a transformation that we initiated in 2019. Finally, we remain humble about agile, knowing that there is always a way to go, and we are working on improving our agile maturity and creating a talent pool that can thrive in this environment.

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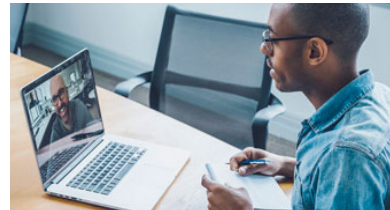
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