

A digital-business builder: An interview with the CEO of Allianz Direct

What does it take to build scalable new businesses inside of an older, more established company? Bart Schlatmann is building one now.

If you think it's hard teaching elephants to dance, as Lou Gerstner once characterized change programs at large businesses,¹ here's a choreographer for you: Bart Schlatmann, the CEO of Allianz Direct—a thriving digital business inside financial-services giant Allianz. A veteran of two previous digital transformations, Schlatmann went to Allianz in 2018 to launch what he calls a “technology company with an insurance license.” The business is rare in the financial-services world, being a single, direct-to-consumer insurance (for example, car insurance and home insurance) business served on a single platform in multiple European markets. Working closely with the Allianz CEO and his top team, Schlatmann has helped infuse into both Allianz Direct and its parent company an engineering culture and the go-fast mindset typical of digital start-ups.

To do so, Schlatmann has drawn on his experience as the former COO of ING Netherlands and chief transformation officer of Sberbank, where he learned to mobilize people with simple messages expressing challenging goals. He also has derived inspiration from the likes of Amazon (where customer experience and flow are reduced to essential actions) and Netflix (which also uses a single global platform). In an interview with McKinsey, Schlatmann shares how he helped shape Allianz Direct's journey to success. What follows is an edited version of that conversation.

Communicating the compelling ‘why’

The Quarterly: *When you were starting your journey, what did you first focus on?*

Bart Schlatmann: It's very important for any company contemplating agile to create a very compelling “why.” The story should start from a client perspective and clearly spell out what the company hopes to achieve. A mistake I have seen often made is that executives forget to communicate the why. They tend to communicate what they need and how they want their teams to deliver this. Teams nevertheless want to understand the underlying why. Without conveying this “North Star,” one will never win the hearts and minds of those who actually are so critical to the delivery of a new business.

A second big learning from all the three implementations I've done is the need to repeat your why over and over again, so nobody fails to understand where they are going. So one needs to keep it simple to maintain maximum focus and generate true velocity.

Creating one insurance platform for all countries

The Quarterly: *Why did Allianz decide to build Allianz Direct, which serves multiple countries on just a single platform?*

Bart Schlatmann: This one-business, one-platform system serving multiple regulated markets is quite unique in the financial industry and, as far as I know, has not often been done before. But it's very similar to companies like Netflix that also run globally on a single platform.

It offers us important advantages, with the first being low cost. We have one platform, one agile organization, et cetera. A second is velocity. In a single release, innovations are released to all customers in all markets. A third advantage is that we can leverage innovations fast because our operations in different countries learn and benefit from each other, which fosters tight control and collaboration.

Among the critical success factors for this business, let me highlight two. First, we radically simplified our product offering, designing it with the customer first in mind. At the same time, we managed to harmonize our product portfolio and structure across markets. For example, we have only three car-insurance products, with minimal deviations. A second success factor is that we built our platform on a modern, scalable cloud stack with a microservice architecture and automated testing so that teams are able to quickly bring new innovations into production. The resulting flexibility of this approach to a single platform allowed teams to be as independent as possible. Independence is what helped us deal with market-specific requirements. Local teams therefore became consumers of the platform and really are using it as a service.

Our data platform is based on a couple of important process-design principles. Each channel uses precisely the same process. So whether a client comes in through an agent, website, or contact center, they follow an identical flow and receive identical

answers. We harmonized the whole data model and process, which helps us achieve a high level of automation.

We've built something exceptional that gives us an opportunity to adjust very quickly. This speed was best evidenced by our ability to offer home insurance right after we launched our car-insurance option. It took only four months from first having the idea to going live in our first market.

Developing a tech company with an insurance license

The Quarterly: *Why did you focus on bringing in engineers to develop Allianz Direct?*

Bart Schlatmann: Inspired by digital natives, we felt we had to become a technology company with an insurance license. We immediately recognized that most of the impact is delivered by engineers, not program managers, architects, or executives like me. My experience also helped me understand that impact is a function of talent, not size. A small team of exceptional people delivers significantly more impact than an army of low-talent resources. And really good, client-focused engineers are critical because they constantly ask themselves, "What does a client really want? What does he or she expect from us? Where can we deliver more?"

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Learning from true innovators

The Quarterly: *You have lots of experience in transforming companies and building innovative businesses. Where do you turn for inspiration?*

Bart Schlatmann: You can learn so much from the digital innovators, so I looked carefully at Amazon to study its client flow. Customers first select a product. They are then taken to a summary page to confirm their purchase and then to the checkout-and-payment page. We simply emulated the same flow because that's what customers are used to now.

Sometimes traditional industries like ours create our own flows because we believe that's best. And we started doing that before we said, "How are the Amazons of this world building this? What can we learn from them? And how can we copy it?" And you really see the optimization in these flows as the dropout rates start to come down. Everything we communicate on the website was thought through—all the way down to the terms-and-conditions statement.

The terms-and-conditions statement was actually a nice example. We cut it back from the original 60 pages to an eight-page alternative that used plain and clear language. We then tested this newer, shorter version with actual clients rather than insurance-industry people.

Of course, we also submitted them to regulators for approval; they really liked it because it's very open and transparent. And that should be a model for everything you do. I also learned a lot from Zappos.com in that sense—how it really brought openness and transparency into all its business processes. So we tried to model that into our day-to-day life.

I also credit people such as Jeff Bezos, who talks a lot about customer obsession, which I think is so much better than focusing on customer centricity. Because making customer centricity part of your strategy may be nice, but that doesn't really embed it into your culture. And I think our people at Allianz Direct are really obsessed with the client. They really want to be at least 1 percent better every day. And if they do that, then we're 365 percent better at the end of the year, right? So I really want to make sure everyone is focused on that.

Building an engineering culture

The Quarterly: *How did you go about building an engineering culture at Allianz Direct?*

Bart Schlatmann: At the start, we asked for approximately 70 engineers and promised we would launch the single business in two markets within 18 months. Many colleagues wished us good luck but thought this would never work. Having such a small team and such enormous time pressure was actually critical to our success: it made everyone realize there was no time for talking. We had focus, discipline, and rhythm from the start.

A successful implementation depends on a combination of very clear business requirements on one side, very good engineers on the other, and nothing in between. From the start, we introduced demo sessions every other Wednesday, and people really looked forward to them. Why? Because they're an opportunity for colleagues to show each other what they've

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actually built in the past two weeks. Everyone was proud to see the platform gradually become a reality.

As the quality improved, people increasingly started motivating each other, learning from each other, and we really started building that engineering culture.

Considering the power of transparency at the core of a transformation

The Quarterly: *You've mentioned that some people were skeptical whether you could pull off building a new business so quickly and efficiently. How did you win them over?*

Bart Schlatmann: The perception of agile is very much about chaos. But it turns out to be a very transparent way of working. For example, in a normal SteerCo, you look at data that's at least one month old. And why is it a month old? Because there's a whole team creating these reports, and the members busy themselves discussing whether or not this traffic light is red, green, or orange. In a SteerCo, you never get the truth on the table. With agile, it's a prerequisite to put everything into the central system, be it in Jira or ServiceNow, to create 100 percent transparency.

In the beginning of the implementation, our colleagues at Allianz thought we weren't being transparent, because they expected these massive waterfall sheets. But we work in just one version of Jira. So that means that everything we do is literally a single version. So I just gave people access. I said, "Look, if you want, look at it, fine. Here you go. You have all the features. Everything is documented."

Many audits were done, checking to make sure everything was really there. But that's fair because it was new to them. They really couldn't understand how it would be possible with such a small budget and small number of engineers to build an end-to-end European platform in just one year—which, again, really is unprecedented.

Creating a tech platform for flexibility

The Quarterly: *What were the main platform decisions you made that gave you the flexibility you needed?*

Bart Schlatmann: We've always believed if there is something that's performing better for our agents and clients, we need the flexibility to swap it in, especially because new software development moves so fast. That's why we built plug-and-play ability into the platform: to liberate us from the ten-year cycle of major technology investments. And we're constantly on the lookout for the best-in-class software in case we need to replace underperforming technology.

Our platform was built in four layers. The first one, the front end, is a thin layer based on new standards without a lot of excess built-in knowledge. The second layer contains

microservices and APIs and is where the logic is built in. The third layer represents the core and consists of two parts: the customer and product databases, where all the product-related items are captured. Every client in our model has a unique client ID, and everything they do—such as products, communications, claims, and payments—is linked to that ID. So if you're in a channel, you can easily retrieve all this data because of your unique ID.

The fourth layer is the infrastructure, our cloud solution, which provides our flexibility. We started with a private cloud but quickly realized we needed to move to the public cloud because of the extra flexibility and scalability. Also, cloud providers employ thousands of knowledgeable people, so we asked ourselves, "Is this my core competence, my core business?" And the answer was, "No; my core business is selling insurance and servicing clients."

One big lesson we have constantly applied is that our Allianz staff should be focused on consuming as much as possible the best external products. If you want to become a platform, you need to first demonstrate you want to consume platforms. Examples of platforms we've used include public-cloud platforms, call-center-communication platforms, and marketing-analytics platforms. These are all examples of external platforms insurance companies should not want to own or develop themselves. And now we benefit from the fact that these large companies improve their platforms every single day and keep them extremely stable. And so far, after a year and a half, I'm very happy with the performance.

Realizing the impact from the new business

The Quarterly: *Could you describe what kind of impact Allianz Direct has had, including on Allianz itself?*

Bart Schlatmann: In terms of the impact on Allianz Direct's business, we now need just one platform instead of four different ones, which represents a significant cost reduction. We are able to manage this entire platform across Europe without a large annual investment. Then there's the overall impact on Allianz, which is doing a lot of marketing. We've contracted with Usain Bolt to represent us for the coming three years in a mass-media campaign across Europe that has already generated a lot of additional traffic to Allianz in Germany, Holland, and Italy.

In the beginning, we had trouble hiring talent. But now we have this story out there, in combination with our websites. People see the commercials and what we have accomplished. It's very satisfying to attract good engineers, businesspeople, and data scientists because they are saying, "Hey, wait a minute. There is something happening there. It's a large company, so there are a lot of opportunities for great engineers and marketers." We're actually becoming recognized as a very good employer, which is a super asset.

The power of mistakes and curiosity

The Quarterly: *How have you thought about your own learning journey through your experiences in leading transformations?*

Bart Schlatmann: Sometimes I get the feeling the higher you get in an organization, the less you know. That's very scary because then how can you ask the right questions? So you have to keep on learning. I make a lot of mistakes every day, and I laugh about them, I learn from them. And hopefully, the next day I will not make the same mistake. But if you don't try, you won't succeed. I think racecar driver Mario Andretti put it well. He said, "If everything seems under control, you're not going fast enough." And I think there's a lot of truth to that.

My biggest change is that over the past decade, I truly started to enjoy IT. Despite the fact that I have not yet become a coder myself, I am a curious learner and can immediately distinguish the typical compliant process answers from truly excited engineering craftsmanship.

There's so much cool stuff out there, so I think this curiosity, this eagerness to learn is very important for any executive. That's what makes me tick and keeps me passionate about these types of transformations. I strongly believe you can change large companies. You can do it in legacy companies as well. There's no excuse not to start. Q

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This interview was conducted by **Peter Jacobs**, a partner in McKinsey's Amsterdam office, and **Barr Seitz**, the director of global publishing for McKinsey Digital, based in the New York office.

¹Louis V. Gerstner Jr., *Who Says Elephants Can't Dance? Inside IBM's Historic Turnaround*, New York, NY: Harper Business, 2002.