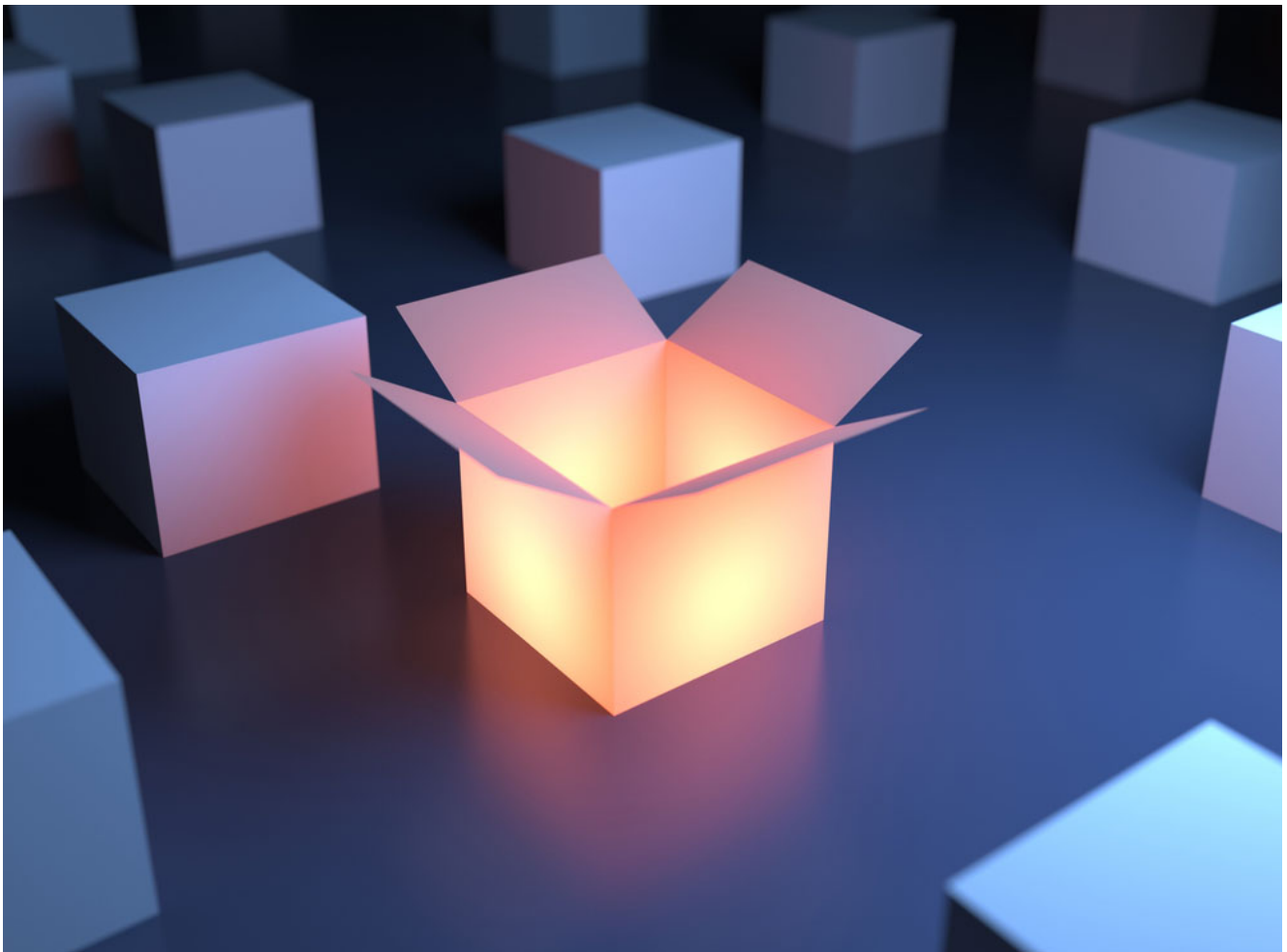**RGAX**

BLOG

Ideas come to life at the intersection of insight, expertise, resources and collaboration.

8 IMPERATIVES FOR MANAGING AN OPEN INNOVATION PROJECT

MAY 14, 2019   WRITTEN BY: TONYA BLACKMORE

Insurance is no different than any other industry where companies strive to differentiate through their brand, product, service, and distribution to win customers and market share.

As much as they try to be unique on the outside, they face very similar challenges on the inside, typically due to constraints from external forces like legal and regulatory environments and dependencies on third-party providers. These common industry challenges are easy to spot. They dominate discussions at conferences and events as everyone is trying to find a solution. Rather than brainstorming and having a group discussion, open innovation takes problem solving to a much deeper level by engaging companies to design a solution together.

APEXA is the product of open innovation. It was created by bringing together nine leading companies in the Canadian life insurance industry to address the need to standardize and simplify life insurance advisor compliance. Read on to learn what we did, how we did it, and the eight key steps required to manage an open innovation project in your industry.

The challenge: Building an industry platform together

Any open innovation project will have many stakeholders – that's its nature. APEXA was developed for the independent life insurance channel which consists of Advisors, MGA's and life insurance carriers. Each of these parties have obligations to meet regulatory compliance, which in a practice means they have to monitor and share compliance information.

Before developing APEXA, advisor contracting and compliance was a time consuming and manual process. Despite the pains, each company could not drive enough value on their own to build a solution since most of the inefficiency was the culmination of the interdependent processes between the parties.

An industry solution, on the other hand, could drive material value by offering standardization, timeliness, scale and efficiency to all of the stakeholders and eliminate the duplication and delays that were embedded in the process.

So how did we make this happen?

A playbook for success with open innovation

In 2003 UC Berkley professor Henry Chesbrough coined the term *open innovation*. Open innovation employs both internal and external sources of ideas, as does an industry collaboration like ours.

Despite the many practical reasons to implement open innovation technology solutions, it rarely happens. Large tech projects are difficult enough to manage to completion with only

one organization involved. Bringing together multiple organizations is even more daunting.

How do you break through the barriers to launch an industry platform? Here is a playbook on how to approach open innovation, based on lessons I learned along the way (sometimes the hard way).

#1: Solve a problem that positions all participants equally

Look for an industry problem where an open innovation solution *will not* create a competitive advantage for any one organization – and does not involve giving away secrets to partners. A compliance solution is ripe for open collaboration.

#2: Get the backing of senior-level sponsors in each organization

You'll need someone at each participating organization who appreciates the strategic value of your project and has the authority to write checks to pay for it. This person has to be senior enough in the organization that when resources are contended for, or if the project gets delayed, they have the authority to deliver the organization's continued support.

Expect the mix of people to change over time. In a multi-year project, you may not have the same people at the top of the organization when you reach the end of the project as you did at the start. You'll need to get buy-in to the vision from anyone who replaces one of your senior-level sponsors throughout the project.

#3: Establish measurements for success

An open innovation project will have a variety of stakeholders with different goals, and some of their goals may be incompatible when implemented in technology-based processes. Set up measurements for success early for guidance when you encounter competing demands.

#4: Form a governance board that represents all stakeholders

Your open innovation project will need a governance board: a steering committee to provide input with representation from all the participating organizations. It's important to ensure the needs of every stakeholder, including independent agents or consumers, are covered.

At times, you may need to reach up to your senior-level sponsors to provide direction for the board. You'll need to do this, for example, when the governance board cannot

reach consensus or wants to go in a different direction than the vision of your sponsors.

#5: Have industry experts on the board and on your team

As a technology developer, you may lack specific industry expertise. No one knows what they don't know, right?

Your governance board can provide much of this expertise, but they also don't know what they don't know. Since an expertise gap could be fatal to your project, close the gap by having someone on your team who has expertise in the part of the industry your solution will target.

#6: Consider the platform development experience of the participants

Agile methodology may not generate the same results with participants who use waterfall in their own organizations. Take the time to understand how each of your participating organizations envisions new systems, sets requirements and tests applications.

#7: Anticipate the degree of industry change your project may create

Are you implementing a technology solution based on existing processes? Or is your open innovation project actually creating a new set of untested processes? An in-person paper-based process can be considerably different than an on-line self-service process. The success of your project may depend on all participants embracing change management.

#8: Recognize the limitations of user input, especially early on

New technology doesn't have a comparison – it's never been done this way before – so it can be difficult for users to recognize and explain what they want. Once they have an application to use, you'll get more and better input. The challenge for your open innovation project is to avoid building more than is needed to acquire this crucial input, reach consensus and deliver what the users need.

Accelerate success with open innovation

Whether you tackle an industry-wide problem or a consumer solution, open innovation provides valuable flows of knowledge beyond your internal resources. Open innovation can help you reach a readily adopted solution faster by embracing the capabilities of diverse external stakeholders.

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Written by: Tonya Blackmore

Tonya Blackmore is CEO of APEXA, a portfolio company of RGAX. She is responsible for charting the strategic direction of APEXA within Canada and across the globe. APEXA, acquired by RGAX in 2018, is the contract and compliance platform for Canadian life advisors. Tonya's more than 15 years in the life insurance and reinsurance industry encompasses various executive roles in the areas of IT and Operations. Prior to joining APEXA, she was Vice President, IT and Operations at Pacific Life Re. Previously, she held a range of leadership roles at Manulife Financial.

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HQ: 16600 Swingley Ridge Road, Chesterfield, Missouri 63017-1706 U.S.A.

Phone: (636) 736-7000 • Toll-Free: 1 (888) 736-5445 • Media Inquiries: (636) 736-2351

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