

HOW TO SOLVE THE GROWING TALENT PROBLEM IN INSURTECH

Some InsurTechs are finding it hard to attract the talent they need to grow, but there is one solution that can help.

By Gaëlle Pritchard, Executive Director & Head of Assessment, Sheffield Haworth

Imagine that you are the founder of an InsurTech firm that has raised over \$100m in your latest funding round. You've been around for a few years, and now this funding has put you on the map. You can supercharge your growth and hire the specific talent you need to lay the foundations for the future.

Then you notice a curious thing. Your employees are leaving in ever higher numbers. When it comes to attracting talent from insurance incumbents, it is more difficult than you thought. You try to recruit more diverse talent, but all your first choices end up accepting roles elsewhere.

Now imagine you're the founder of another InsurTech that has also raised over \$100m. Your employees are happy and share in celebrating your success. Attracting talent from insurance incumbents and more diverse talent from other industries is easy because people want to work for you. Your staff retention rate is high.

These two contrasting scenarios are real. We cannot name the companies, for obvious reasons. But they are based on real companies in the UK insurance industry that Sheffield Haworth knows well. One, because our Insurance practice is busy sourcing talent to work for them. The other, because our Insurance practice is busy placing talent from that firm to work in other companies.

What makes the difference between these two firms? Why is one so attractive to top talent, while the other keeps losing employees?

Why some InsurTechs attract talent while others do not

In a nutshell, that difference is culture. Specifically, the difference between a firm that focused on funding and growth and left culture to take care of itself, and a firm that has taken care to nudge and guide its culture to foster openness and inclusiveness while also ensuring alignment with the business strategy.



Ben Johnson, Managing Director and Global Head of Insurance and InsurTech at Sheffield Haworth, recently interviewed Matthew Jones, the Managing Director of Anthemis Group, which invests in InsurTech startups and has a portfolio of over 120 companies. According to Jones, culture is one aspect of management that too many startups leave until it's too late to do anything about it.

As he says: "We do have conversations with our portfolio companies around the seed funding stage about the importance of embedding a culture into the company, because later on it's hard to undo mistakes. Subtle choices are made along the way that define a culture. This becomes a problem for tomorrow. Two and half or three years down the line they have created a culture accidentally and changing the DNA of a culture is much harder then."

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He adds: "Most InsurTechs don't consciously think about their culture until it's too late. Some of the companies in our portfolio paid far less attention to it, and now they're struggling to hire more diversity – hiring more women, for example – because everyone on their board is a white male, and they've developed a very white, masculine culture without even meaning to."

InsurTech teams need soft skills too

The talent needs of a successful InsurTech startup or scale-up change regularly. The talent and skills they need on a foundational team to get to series A are different to those needed for series B and beyond, where the growth element becomes more important.

Hiring for skills makes sense. But many InsurTechs don't spend enough time thinking about hiring for relationships, for soft skills, and for leadership styles. In a sector where investors tend to invest in teams rather than just good ideas, how a team functions becomes paramount.

Sabine VanderLinden is a well-known InsurTech thought leader and an advisor to the Sheffield Haworth Insurance practice. She was previously the co-founder and CEO of the world's first InsurTech-specific accelerator program. In her experience, building effective teams is one of the keys to success. The way to do this is often to look at the behavioural characteristics of team members.



As Sabine explains: "When a startup joined an acceleration program, we would do conflict analysis, based on the same psychological profiles used at NASA. In a startup environment, the most common "types" are the charming and charismatic conversational leader, the opinionated expert, or the fact-based and data-driven researcher.

"Founders are usually charming and charismatic conversational leaders, as are most investors. These are essentially deal hunters and closers, always seeking the next opportunity and responding to financial incentives. The opinionated expert tends to have a strong set of beliefs; they 'tell it like it is' and argue consistently to try and get their own way. The fact-based researcher will usually look at the bigger picture and have a more long-term approach to solving challenges.

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"The reason why people leave companies big or small is often because when times get tough and the team gets stressed, the team itself is unbalanced. It usually has too many people of one type, which exacerbates the stress and stops the team from seeing potential solutions.

"In the early stages of a startup, it's natural to have a preponderance of one type of personality. But as the business grows and faces more complex challenges, it needs to have a balance of personality types able to push the boundaries of knowledge from various angles and avoid crumbling under the stress."

Why InsurTech diversity is becoming more important

It is a stereotype to see InsurTech startups as a high-pressure environment where the hustle culture is king, long hours are expected, and conflict is common. But while this can work for a time, this is not a strong enough foundation for long-term growth, for several reasons.

- A more balanced team with greater cognitive diversity is statistically more likely to perform better.
- An unbalanced team lacking cognitive diversity will become unattractive to talent that doesn't share the same behaviours, leading to high employee churn and difficulty attracting diverse talent.



- Investors are increasingly looking for more diverse teams to invest in, because:
 - Investing in diversity is better PR for them and their portfolio.
 - More cognitively diverse teams are statistically more likely to succeed longer-term.
 - Investors themselves are becoming more diverse, and they want to see this reflected in their portfolio companies.
- For those startups with a B2B focus looking to partner with incumbents, incumbents are also increasingly seeking diversity in management teams, for the same reasons as investors.
- Those startups with a B2C focus looking to grow sales with consumers require diverse management if they want to reflect consumers' needs and lifestyles more effectively.
- Diversity is likely to become a regulatory obligation to some extent in the next few years.

A proven way to help solve the talent problem

Some InsurTechs have begun to turn to a solution that, just a few years ago, many had never even heard of, let alone considered. This solution is assessment – specifically, psychometric trait assessments. Acceleration programs and startup incubators have used versions (original says version) of these to improve team dynamics and reduce founder conflict. However, at Sheffield Haworth we believe the techniques can be used to recruit, retain and grow the right individuals based on strong team alignment.

Psychometric assessments offer evidenced based ability and behavioural profiles of individuals. They can be used for recruitment and selection, for team development, or for talent development. In the context of a fast-growing InsurTech scale-up, the most practical applications are probably those for selection and organisational development.

Think back to VanderLinden's point about the need for balanced teams within an InsurTech. Using assessment for organisational development allows an InsurTech to get a sense of the skills gaps in their management team, as well as any potential behavioural gaps. If the team is unbalanced in any direction, assessment will help to uncover this fact, and take action to correct it. Organisations can use this to inform future hiring decisions, for example, ensuring that the next senior appointment has complimentary behaviours alongside the technical skills that are needed.



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Because assessment is used to uncover:

- Up front knowledge of top team dynamics ahead of hiring
- An individual's leadership style
- Their approach to risk and their decision-making style
- Their approach to – and impact on – teamwork and culture
- Whether they will be a good fit – or add much-needed diversity to – the culture of an organisation
- Their personal motivational frameworks
- Root causes of conflict
- Strengths, fears and areas for development
- Their 'dark side' – the traits that act as potential derailers

It can be a great way to help mitigate the risks of hiring the wrong person. In an economy where competition for top talent is fiercer than it has been for years, and in a sector like InsurTech where hiring the wrong talent can mean the difference between success and failure, there has never been a stronger argument for using assessment.

It is almost a cliché to say that investors fund teams, not ideas or products. Yet there is a reason why this has become a cliché. If you are an investor or an InsurTech CEO, now might be the time to consider using assessment in your key talent decisions.

