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Risk Management Review

Edition 2025

Operational Excellence – Inside Out

by Sarah Salem, Gen Re, Cologne, Germany

In an era defined by rapid digital transformation, evolving customer expectations, and intensifying regulatory demands, insurance companies are under unprecedented pressure to adapt – or risk falling behind. Operational excellence is no longer an ideal; it is a strategic necessity. It represents the disciplined execution of business strategy more consistently and reliably than the competition[1], with lower operational risk, lower operating costs, and increased revenues relative to the market.

Insurance companies can achieve operational excellence by leveraging technology, fostering a culture of continuous improvement, and aligning operations with strategic goals. The journey is complex – but the rewards are worthwhile.

How do we define operational excellence?

For insurers, operational excellence means more than just streamlining processes or cutting costs. It's about building agile, data-driven organisations that can anticipate change, respond with speed, and deliver superior value to policyholders. From underwriting and claims management to customer service and compliance, every function must be optimised to drive performance and resilience.

Operational excellence is therefore a company mindset that translates into offering superior value to the customer. This mindset materialises itself through a company strategy focused on continuous improvement, optimising internal processes and fostering a culture of excellence from within – in other words, from the inside out.

About the article

Operational excellence is key to navigating the challenges of digital transformation, regulatory complexity, and shifting customer expectations. This article discusses how agile processes, data-driven decision-making, and a culture of continuous improvement ultimately enable insurers to deliver superior value, be resilient, and be innovative. The following texts explore individual aspects of the highlighted themes.

Content

What are the challenges an insurer faces?

Insurers face a multitude of challenges in working towards and maintaining operational excellence. A common hurdle is the reliance on legacy systems and fragmented data, which complicates the adoption of digital tools and data-driven decision-making, often requiring significant upfront investment. The highly regulated nature of the industry can slow the pace of technological transformation. Additionally, securing talent with the right blend of insurance expertise, technology, data science, and artificial intelligence (AI) skills – or upskilling existing staff – remains a difficult task. All these efforts – modernising systems, adopting new technologies, and developing talent – must be managed while controlling costs. Despite their potential to enhance operations, these initiatives demand careful investment and change management.

What next step should insurance companies focus on?

Given the insurance industry's inherent challenges companies should focus on the following areas to achieve operational excellence.

Customer-centricity

Across the insurance value chain, from lead generation and onboarding to post policy issue customer engagement, every touch point is optimised for transparency as well as a seamless user experience while balancing high individualisation with the collective interests. The objective is to leave the customer with a positive experience from every interaction with the insurer. Seamless omnichannel marketing, and interactive underwriting and pricing, are examples of where operational excellence in customer-centricity comes to the forefront.

Regulatory compliance

Excellence within regulatory compliance adheres to a robust governance framework that ensures compliance with ever-evolving regulations while proactively managing operational and reputational risks. In practice, this materialises into automated compliance reporting that keeps internal and external stakeholders in adherence with regulations relating to data privacy, AI, etc. Regulatory compliance to ensure excellence is best built from within and from the start. This translates to embedding compliance considerations early within product, underwriting and claims processing to ensure adherence and compliance.

Process innovation

Operational excellence in process innovation is demonstrated through efforts to streamline operations to reduce inefficiencies and find synergies. In practice, examples would be accelerating policy issuance, and automating all compliance and real-time data analytics.

Insurance companies are generally constrained by legacy systems and data stored in silos while, at the other end of the spectrum, having the intention and then intelligence to implement data-driven decision-making; operational excellence is bridging the gap between the two. The aftermath of bridging the gap can generate new products, reduce

Editorial

In today's rapidly evolving insurance landscape, operational excellence is more than a strategic advantage – it is a necessity. This edition of *Risk Management Review* explores how insurers can build resilient, customer-centric, and future-ready organisations by embedding excellence into every layer of their operations. In "Operational Excellence – Inside Out," Sarah Salem outlines the foundational mindset and strategic alignment needed to thrive in a complex environment.

Complementary articles analyse key dimensions of this journey: aligning individual needs with collective strength (Annika Schilling), fostering collaborative compliance (Sandra Schauermann), and cultivating integrative thinking as a leadership mindset (Ulrich Geuther). The potential of AI to drive process innovation (Frank Schmid) and the importance of operational resilience (Michael Hosking) further illustrate how excellence must be both systemic and adaptive.

Expanding the lens, two further contributions – "The Art of Dynamic Leadership" (Ulrich Geuther) and "Leading Dynamic Environments – Practical Tools" (Oliver Röhrich) – highlight the interplay between shaping and adapting in leadership, offering practical guidance for navigating uncertainty with confidence.
Together, these perspectives form a comprehensive guide for insurers striving to lead with purpose and agility in times of volatility. We hope you enjoy the read!

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cost, optimise underwriting and pricing, decrease fraud and fraudulent behaviour and increase customer engagement.

Operational resilience

Operational resilience is an organisation's ability to ensure that critical business services can withstand, adapt to, and recover from disruptions. Disruptions are ever-evolving, whether they are cyber attacks, pandemics, natural disasters, system failures, or third-party outages.

To ensure excellence in operational resilience, a corporate level strategy should be established at executive level and trickled down through business units in terms of responsibilities and accountabilities. All critical business services should be identified – these are services that are essential to production and their dependencies on processes and vendors should be established. The organisation would need to ensure that the third parties they interact with also meet operational resilience thresholds and have recovery plans. This falls under the risk management strategy for third parties.

Operational excellence should be a key criterion when selecting third parties in general – whether distribution partners such as brokers and agents, or service providers such as tech vendors, medical examiners, claims handlers, or marketing firms. Success depends on aligning expectations and maintaining open, transparent communication around operational standards.

Excellence mindset

Building a culture that embodies continuous improvement, fosters cross-functional collaboration, and embeds accountability throughout the folds of the organisation is another foundational block of operational excellence. Employees who are intrinsically motivated to seek ways to improve processes and enhance customer experience ensure excellence is built from the ground up.

What are the competitive advantages an insurer gains?

If successful, an insurer implementing operational excellence sets itself apart with regard to providing a superior service to customers which translates into customer retention and customer satisfaction. From enabling customer-centric products and services to rapid claims settlement, operational excellence allows an insurance company to put the policyholder at the forefront of the insurance offering. In terms of process, an innovative, efficient and streamlined process translates to more agile product development, faster reaction times and higher probabilities of capturing opportunities and reacting to market threats.

The fact that employees are upskilled and empowered to produce, develop and be efficient at their job feeds into a culture of innovation and continuous improvement, all variables that play a very important role in employee satisfaction and retention. In the long term, operational excellence leads to cost-savings and efficiencies across the board for an organisation. When it comes to interacting with external stakeholders, operational excellence ensures regulatory compliance as well as enhanced third-party vendor risk management through real-time data and predictive analytics.

Maintaining operational excellence

The excellence mindset pillar emphasises that operational excellence is not a one-time project – it is a continuous journey of improvement. Maintaining this mindset involves embedding the Japanese business philosophy of Kaizen[2] – focused on a continuous improvement approach – throughout the organisation. Sustained improvement requires an ongoing monitoring of efficiency, customer satisfaction and compliance – an infrastructure that supports performance indicators and dashboarding plays an important role in flagging trends and enabling early action. Improvement also depends on continuous upskilling and employee development, whether from cross-functional collaboration or dedicated employee training. An excellence mindset radiates only if employees are empowered to perform at their best.

Operational excellence is no longer simply an option for an insurance company, nowadays it is a core imperative. It provides a roadmap to navigating the ever-evolving regulatory and technological landscape an organisation faces while aiming to keep the customer at the forefront and improve efficiencies. For insurers willing to invest in the right technology, talent, and culture, operational excellence is not just a goal – it's a sustainable competitive advantage.

Endnotes

1   Treacy, M., & Wiersema, F. (1993). A definition of Operational Excellence attributed to Michael Treacy and Fred Wiersema's value disciplines model. Customer intimacy and other value disciplines. *Harvard Business Review*, 71(1), 84-93

2   Imai, M. (1986). Kaizen (Ky'zen), the key to Japan's competitive success. Random House Business Division

About the author

Sarah Salem *works within Global R&D as Lead Digital Solutions based in Gen Re's Cologne office. She joined Gen Re in 2010 as a Pricing Actuary for the Middle East and North Africa and serviced the region in multiple roles for 12 years. Sarah has front-line experience in reinsurance and with her role within R&D has a particular focus on bridging the gap between insurtechs and Gen Re's insurance client counterparts. She is an Associate with the Society of Actuaries and holds an Executive MBA from the Rotterdam School of Management.*

Customer-Centricity – Aligning Individual Needs with Collective Strength

by Annika Schilling, Gen Re, Cologne, Germany

"Customer-centricity" is a term that has become a much-used mantra in the insurance industry. It appears in mission statements, strategy slide decks, and marketing campaigns. Yet, despite its popularity, the concept often lacks a clear, shared definition. This ambiguity opens the door to a wide range of interpretations – some of which may conflict with the foundational principles of insurance itself.

The myth of total individualisation

One common interpretation of customer-centricity is the idea that every customer should receive fully individualised, tailor-made insurance, i.e. a product designed to match the specific needs, preferences, and risk profile of a single individual. While this sounds appealing, it raises an important question: is this truly in the best interests of the customer?

Insurance, at its core, is a collective mechanism. It exists to protect individuals from large, potentially devastating risks by pooling those risks across a broader population. This collective model is what makes insurance both affordable and sustainable. If every policy were entirely individualised, the ability to pool risk would be severely compromised. The result could be higher premiums, reduced coverage availability, and increased volatility – outcomes that ultimately harm the very customers the model aims to serve.

Also, total individualisation assumes that customers always know what they need and want from an insurance product. In reality, customers often have a subjective perception of their individual risk rather than an accurate, data-driven understanding. Thus, they are well-advised to rely on insurers to guide them through complex risk scenarios and coverage options. Over-customisation could lead to gaps in coverage, or products that are difficult to compare or regulate. It may also shift too much responsibility on to the customer or on financial advisers to offer "best advice", undermining the insurer's role as a trusted partner and risk expert.

What real customer-centricity looks like

A more meaningful approach to customer-centricity considers how insurers can serve the best interests of their customers while preserving the collective nature of risk. This involves rethinking how we design products, make underwriting decisions, and communicate with customers.

Broader access to insurance

One of the most powerful ways to demonstrate customer-centricity is by making insurance accessible to more people. This means designing products that cater to underserved or higher-risk segments, e.g. individuals with chronic health conditions, or those living in disaster-prone areas.

Rather than excluding these groups outright, insurers can explore innovative product structures, risk-sharing mechanisms, or public-private partnerships to extend coverage. This fulfils a social responsibility and strengthens the collective by diversifying the risk pool.

Inclusive distribution channels

Customer-centricity begins with accessibility. Insurers must ensure that their products are available through a variety of distribution channels such as digital platforms, brokers, or agents based on no advice, robo-advice or full financial advice. Different customers have different preferences and levels of digital literacy. A truly customer-centric insurer meets customers where they are, not where it's most convenient for the company.

For example, tech-savvy customers may prefer self-service portals and mobile apps, but less digitally inclined individuals might rely on in-person consultations or phone support. Offering multiple access points ensures that no one is left behind.

Thoughtful underwriting practices

Underwriting is a gatekeeping function – assessing risk and determining eligibility. But in a customer-centric model, underwriting becomes a tool for inclusion. This doesn't mean accepting every risk blindly. Rather, it involves a commitment to thoroughly understanding each applicant's situation and exploring all available options before declining coverage.

For example, instead of rejecting a high-risk applicant outright, an insurer might consider alternative pricing models, risk mitigation strategies, or partial coverage options. The goal is to find a way to say "yes" whenever possible, without compromising the integrity of the risk pool.

Empathetic communication

Insurance is a complex and often emotionally charged product. Customers typically engage with their insurer

during stressful moments such as filing a claim after an accident, dealing with a denied application, or navigating a coverage dispute. In these situations, communication is pivotal.

Customer-centric insurers prioritise clarity, empathy, and transparency. They avoid jargon, explain decisions thoroughly, and acknowledge the customer's emotional state. For instance, when denying a claim, it's not enough to cite policy exclusions. A customer-centric approach involves explaining the rationale in plain language, offering guidance on next steps. This includes showing genuine interest in the customer's situation without undermining the agreed standards and processes and without providing benefits beyond what has been contractually agreed.

Balancing individual needs with collective strength

Customer-centricity in insurance is not about treating every customer as a market of one. It's about recognising individual needs within the context of a shared system. It's about designing processes and products that are inclusive, empathetic, and transparent while still grounded in the principles of risk pooling and mutual protection.

To move beyond the buzzword, the insurance industry must define customer-centricity not as a marketing slogan, but as a strategic imperative. It's about asking hard questions: Are we truly serving the best interests of our customers? Are we making insurance more accessible, more understandable, and more humane?

By embracing a broader, more thoughtful definition of customer-centricity, insurers can fulfil their collective contract – protecting people not just as individuals, but as members of a collective. And in doing so, they can build a more inclusive, sustainable, and trusted future for the industry.

About the author

Annika Schilling *is Head of Underwriting Research, Global Underwriting and R&D, based in Gen Re's Cologne office. She is responsible for Gen Re's underwriting manuals and providing support to clients on questions related to underwriting.*
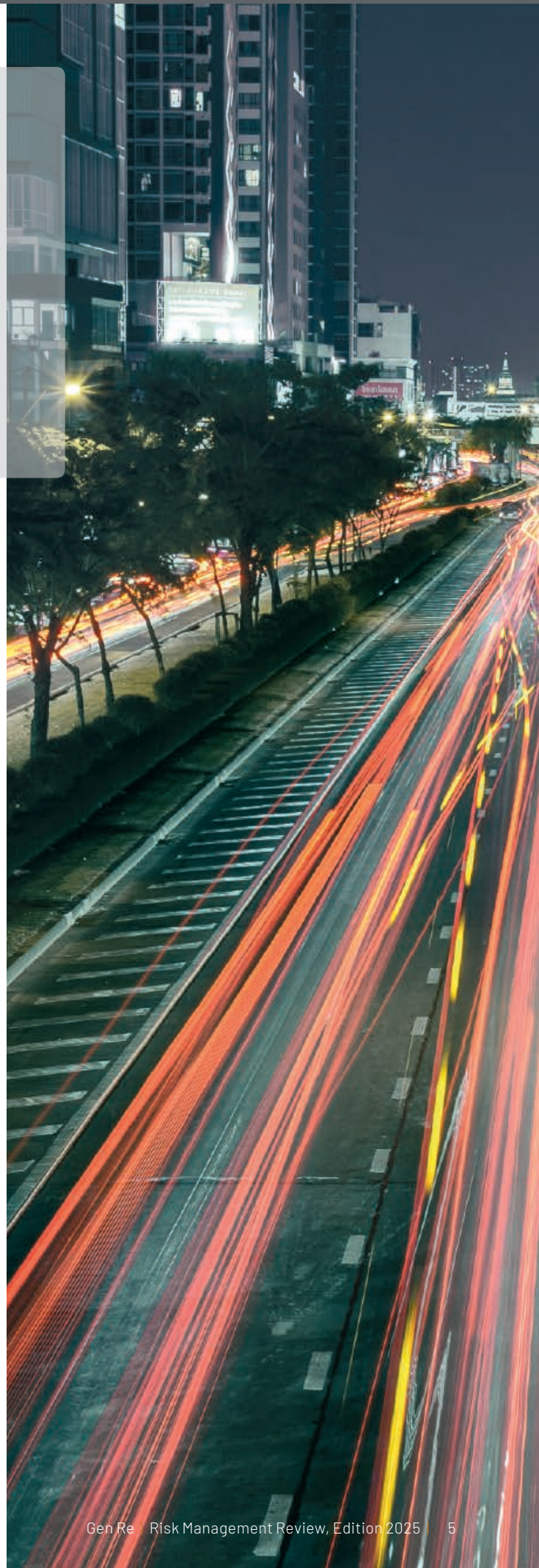
Regulatory Compliance – A Collaborative Approach to Excellence

An Interview with Sandra Schauermann, Gen Re, Cologne, Germany

Risk Management Review: What is the significance of regulatory compliance within the framework of risk and operations management?

Sandra Schauermann: A robust regulatory compliance programme is a crucial element in managing risks and operations. It means making sure your business follows all the laws and regulations that apply to the insurance industry. This isn't just about avoiding fines or legal trouble; it's about protecting a company's reputation and avoiding costly operational disruption. Employees who understand their responsibilities and follow the correct procedures help to avoid interruptions from legal issues and at the same time contribute to business efficiency. Furthermore, a strong compliance culture supports positive employee morale and retention and ultimately builds client trust.

RMR: Looking at Europe, what are the main current regulatory challenges which affect insurance operations?

Sandra Schauermann: In Europe, the insurance industry faces several regulatory challenges. In order not to exceed the scope of this interview, I will stick with regulations related to data, digital technologies and cybersecurity. The most prominent examples in this area are the General Data Protection Regulation (GDPR), the Digital Operational Resilience Act (DORA), and the Network and Information Systems Directive II (NIS II), as well as the European Union Artificial Intelligence Act (EU AI Act), and the upcoming regulation on financial data access, commonly known as FiDA Regulation.

They all aim to strengthen consumer rights and human rights as well as enhancing information security and business continuity. Most of the aforementioned regulations necessitate that insurers establish comprehensive risk management frameworks, including policies and procedures to identify, assess, and mitigate risks associated with their operations, the technology used, and their data-handling practices. Consequently, investments in advanced security measures to fend off data breaches and cyber attacks are significant in the insurance industry.

However, the cost of compliance does not only include technology – the allocation of adequate resources to understand and navigate the complexity of implementing applicable regulations across various jurisdictions and ultimately the resources to perform the compliance activities on an operational level cannot be neglected. I am confident that as technological innovation continues to advance, we can responsibly utilise artificial intelligence (AI) technology to effectively manage compliance costs.

RMR: Which regulatory trends can we expect in the future?

Sandra Schauermann: I am expecting that regulations in the previously mentioned areas of cybersecurity, data protection, and technological innovation, including the fair and transparent use of AI, as well as climate risk and sustainability will continue to be in the focus of lawmakers and regulatory authorities. Although there seems to be an emerging trend to reduce unnecessary environmental, social and corporate governance-related bureaucracy, I presume requirements for insurers to assess and manage climate-related risks will continue to increase. This includes stress-testing for extreme weather events and integrating climate risk into overall risk management frameworks. I am also sceptical that the emphasis on sustainability reporting, requiring insurers to disclose their environmental impact and efforts to mitigate climate risks, will be significantly rolled back.

RMR: Regulatory standards vary significantly across insurance markets. Which regulatory trends with implications for operations can be identified across different markets?

Sandra Schauermann: Globally, the focus is very similar to that seen in Europe, with attention being placed on data, the use and protection of that data, as well as securing IT infrastructure, particularly with regard to cybersecurity. This trend will continue as it is not only important to uphold the rights of the data subjects but also essential to protect the operations, ensuring that the (re)insurance companies can continue to meet their customers' needs. These trends will most likely continue to bring additional reporting requirements or restrictions so that the regulators feel enabled to address these emerging technological issues. It is, however, important to find the correct balance to guarantee that the evolving reporting requirements are not overly burdensome or costly to the industry.

RMR: How should operations be structured and managed to successfully meet regulatory standards?

Sandra Schauermann: Achieving compliance with regulatory standards relies on clear communication and active collaboration across the organisation. Success is most likely when all relevant departments and stakeholders are engaged in shaping policies and procedures that facilitate efficient and streamlined adherence to regulatory requirements. To be effective, these tasks need to be integrated into daily business activities and not seen as the responsibility of just the compliance department. From my perspective, this involves regular training sessions and routine monitoring to identify and address potential gaps early.

Effective compliance programmes are reinforced by recognising managers and employees for their efforts in supporting compliance with regulatory requirements. Encouraging open communication across departments and empowering staff to report concerns without fear of reprisal are also key components.

About the interview partner

Sandra Schauermann *is the General Counsel at General Reinsurance AG. In this role, she oversees legal and compliance functions, ensuring that General Reinsurance AG and its international offices and subsidiaries meet regulatory requirements and governance standards.*

The Mindset for Excellence – Integrative Thinking in the Insurance Industry

by Ulrich Geuther, Leadership Trainer, Executive Coach, Change Management Consultant, Lisbon, Portugal

In most industries, the word "excellence" is automatically associated with performance indicators, process optimisation, or customer-centric innovation. These operational imperatives are undoubtedly essential, but underneath all of them lies something more fundamental: the mindset behind excellence.

Mindset is not an abstract idea. Mindset is the invisible driver of every decision, interaction, and reaction. It shapes how we interpret uncertainty, how we treat people, and how we lead.

What exactly is a mindset and why does it matter?

A mindset is more than an attitude. It is a stable pattern of beliefs, assumptions, and values through which we perceive the world and act within it. It forms our mental operating system, that defines what we consider possible, relevant, or meaningful.

A mindset for excellence, then, is not just about knowing best practices – it's about how a person sees their purpose, defines their role, and develops their capabilities accordingly. But before starting to further explore the mindset for excellence, let's have a closer look at the concept of "excellence" itself.

Excellence – A concept with depth and history

The word excellence comes from the Latin "excellentia", meaning surpassing, rising above, or being eminent. In its classical sense, excellence referred to "virtus" in Roman culture or "aretē" in ancient Greek thought: the fullest realisation of one's nature, especially in moral and intellectual terms. For Aristotle, excellence (aretē) was about fulfilling one's purpose with virtue and skill, leading to a flourishing life. To be excellent was to live one's nature fully, wisely, and ethically.[1]

Excellence in today's world of business

Over centuries, the meaning of excellence has shifted tremendously. Especially in modern business, the concept has evolved from an emphasis on moral and character towards performance, efficiency, and competitive differentiation.

However, the shift toward performance imperatives creates numerous paradoxes that lead to contradictory requirements. For example:

- Innovation requires freedom and speed; compliance and risk management demand caution.

- Standardisation boosts efficiency; customer-centricity requires personalisation.

- Process stability ensures reliability; digital transformation disrupts stability and demands unprecedented change.

In order to achieve excellence, both counterparts need to be improved. Attempting to follow any of them in isolation quickly exposes their counterforces.

The deeper insight here is that the problem is not in the imperatives themselves, but in trying to apply them with a binary, mechanistic mindset.

The excellence mindset – An integrative lens

In a complex environment such as insurance – with regulatory change, technological innovation, climate risk, and demographic shifts – leaders and their teams face competing demands: be fast, but thorough; be compliant, but innovative; reduce cost, but increase value.

Traditional mindsets often frame these as either/or choices. But excellence today demands a both/and mindset. We call it the integrative mindset or the "mindset for excellence" (Figure 1). The mindset for excellence offers a conceptual framework grounded in four interrelated core capacities, each of which enables leaders and their teams to navigate complex environments through dynamic integration.

At the core lies the "integrative orientation": the capacity to transcend binary choices by holding and synthesising polarities. Excellence in business today requires this shift from either/or thinking to a both/and perspective, in which contradictions are not eliminated but consciously integrated into higher-order solutions.

This integrative orientation is supported by four mutually reinforcing core capacities:

1. **Systemic awareness**
   The ability to perceive interdependencies and cascading effects across systems. Leaders with systemic awareness recognise that actions do not occur in isolation but within a network of relationships and consequences.

2. **Cognitive complexity**
   The mental agility to work with paradox, ambiguity, and competing priorities. Leaders demonstrating high cognitive complexity can maintain multiple perspectives, adapt frameworks flexibly, and manage non-linear causality.

3. **Emotional maturity**

   The internal capacity for self-regulation, empathy, and perspective-taking. Emotional maturity enables leaders to tolerate uncertainty, manage interpersonal tensions, and act with integrity under pressure. It supports relational trust and psychological safety.

4. **Both/and orientation**

   The foundational mindset that enables integration itself. It reflects a deep-seated belief that tension and contradiction are not signs of failure but sources of creative energy. Leaders and their teams who embody this mindset can simultaneously pursue stability and change, strategic vision and operational discipline, as well as data-driven and human-centred approaches.

Together, these capacities form an integrative mindset – a meta-competence that equips leaders and co-workers to manage complexity not by simplifying it away, but by engaging with it constructively.

A closing thought – Excellence as a way of being

In the insurance sector, where volatility and trust go hand in hand, excellence must be lived from the inside out. Therefore, operational excellence is not enough. We also need excellence as the inner quality that guides outer execution, at both an individual and an organisational level. And that begins with mindset.

A mindset for excellence is, in the first place, a commitment. This is shown perfectly in the following quote: "Excellence is a decision we make once, and a choice we make a thousand times a day."[2] Let's lead and act from there!

Endnotes

1   Hurka, T. (2022). Aristotle's moral philosophy. In E. N. Zalta & U.Nodelman (Eds.), *The Stanford Encyclopedia of Philosophy* (Fall 2022 Edition). Metaphysics Research Lab, Stanford University. https://plato.stanford.edu/archives/fall2022/entries/aristotle-ethics/ (accessed 01 July 2025)

2   Source: Video produced by the Alliance for Organizational Excellence LLC; Video on YouTube: https://youtube.com/watch?v=LEZ-xCKFQfQ (accessed 01 July 2025)

About the author

Ulrich Geuther *is an international leadership trainer and coach based in Lisbon, Portugal. For more than three decades he has been supporting companies from all industries to establish lasting changes and innovations. He has a long-standing familiarity with the specific requirements of the insurance industry.*

Figure 1:
The mindset for excellence – Integrating polarities

Source: Ulrich Geuther
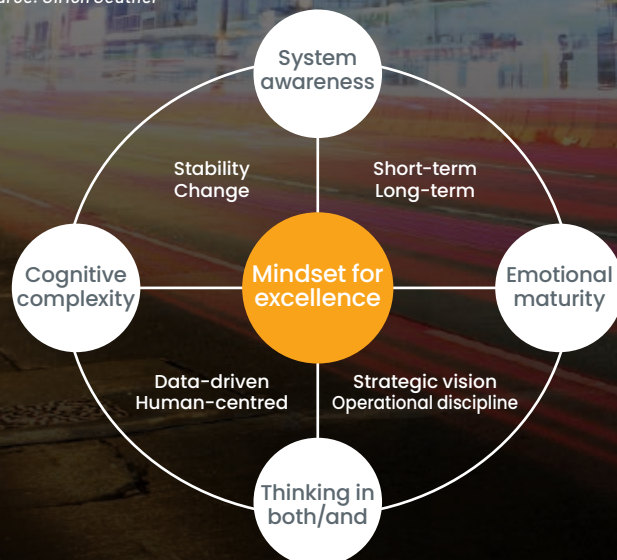
Striving for Excellence – The Potential of AI for Process Innovation

by Frank Schmid, Chief Technology Officer, Gen Re, Stamford, U.S.

New technologies demand new approaches. This is especially true with the emergence of a general-purpose technology (GPT) such as generative artificial intelligence (Gen AI). What defines a GPT, and what are the implications of Gen AI for process innovation? How should decision-making evolve in the context of Gen AI-driven innovation?

The emergence of a GPT is a rare and transformative event. The steam engine powered the Industrial Revolution, serving as a centralized energy source on the factory floor. Electricity followed, making power ubiquitous and enabling new production methods and factory layouts. The invention of the semiconductor revolutionized workflows and organizational structures, enabling electronic computing and modern communication via the internet.

Gen AI became broadly accessible to enterprises after the release of ChatGPT in November 2022, when cloud service providers integrated large language models and related tools into their platforms. What can we learn from previous GPTs to guide the adoption of Gen AI?

Lessons from previous GPTs

Technology scholars identify three defining traits of a GPT:

- It is pervasive across applications.
- It is capable of continuous technical improvement.
- It drives co-invention in the application domain.

GPT adoption unfolds over time. As Gen AI advances, insurers will continue to co-invent, expanding its use and generating revenue for further development – a feedback loop arises of downstream innovation and upstream reinvestment. The steam engine evolved over two centuries, with applications expanding steadily. Electricity advanced through innovations such as alternating current and the electric motor, and battery technology continues to evolve. Electronic computing has progressed through milestones such as the invention of graphics processing units by NVIDIA. In less than two years since ChatGPT's debut, reasoning models have emerged, enabling Gen AI to generate new data and solve complex mathematical problems.

Gen AI-driven process innovation occurs across three dimensions, as illustrated in Figure 1: task-level improvement, workflow redesign, and organizational redesign. These dimensions differ in the co-invention effort required and the economic value delivered. As the

Figure 1: Process innovation dynamics of Gen AI
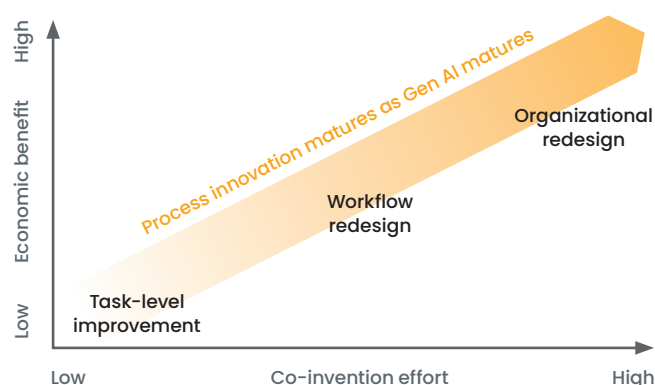
Source: Gen Re

technology matures, adoption will shift from enhancing existing tasks to enabling new ones within redesigned workflows – some of which will be coordinated and executed by AI agents in novel organizational structures.

Decision-making and real options

This dynamic interplay between technological progress and co-invention informs how decisions should be made. Gen AI adoption is iterative, involving continuous learning and deployment in new workflows and organizational models. The pace of this feedback loop has accelerated from steam to electricity to semiconductors – and is expected to be even faster with Gen AI, placing the insurance industry on a path of rapid learning and reinvention.

Each adoption decision carries risk: an error of omission (failing to pursue a valuable project) or an error of commission (pursuing a project that should have been avoided). Not pursuing a project is fully irreversible, while executing one often involves sunk costs – expenditures that cannot be recovered if the project is abandoned or altered.

This creates value in waiting. Delaying a decision preserves the option to act later with better information. This option value reduces the traditional net present value (NPV) of a project. However, waiting also has a cost: missed opportunities and reduced future flexibility. This cost of waiting increases the project's value.

Real options theory emphasizes learning and reversibility. It favors technologies that are reversible and expand future choices – both of which support low co-invention costs

and early adoption. While real options are difficult to quantify in complex environments, their practical value lies in guiding decision-making: prioritize reversible technologies and those that broaden future opportunities.

## The J-curve in measured productivity

Adopting a GPT requires complementary investments. For Gen AI, foundational investments include cloud infrastructure, data architecture, and organizational capabilities in data and AI engineering. At the workflow level, co-invention requires building competence in human-AI collaboration and in coordinating workflows with AI agents.

These investments create intangible assets that initially function as outputs – products of the organization's efforts. Over time, they become inputs to production. Traditional productivity metrics often fail to capture these assets, underestimating productivity during their formation and overestimating it once they are deployed.

For insurers, a rough productivity measure is the expense ratio. While intangible assets are being developed, they increase expenses without contributing to output. Once deployed, they enhance output without adding to expenses. This dynamic can create a J-curve in measured productivity: initial decline followed by long-term gains. Recognizing this effect is essential for accurately assessing Gen AI's impact on productivity in both the short and long term.

About the author

Frank Schmid *is Gen Re's Chief Technology Officer, responsible for leading the IT Department and advancing the company's AI strategy. He holds a doctorate in economics from Leuphana University of Lüneburg, where he also served as an extraordinary professor. His previous roles include positions at AIG, the National Council on Compensation Insurance, and the Federal Reserve Bank of St. Louis. He has taught finance and economics in Europe and Asia-Pacific and received the Hicks-Tinbergen Award from the European Economic Association in 2006, jointly with Gary Gorton of Yale University.*
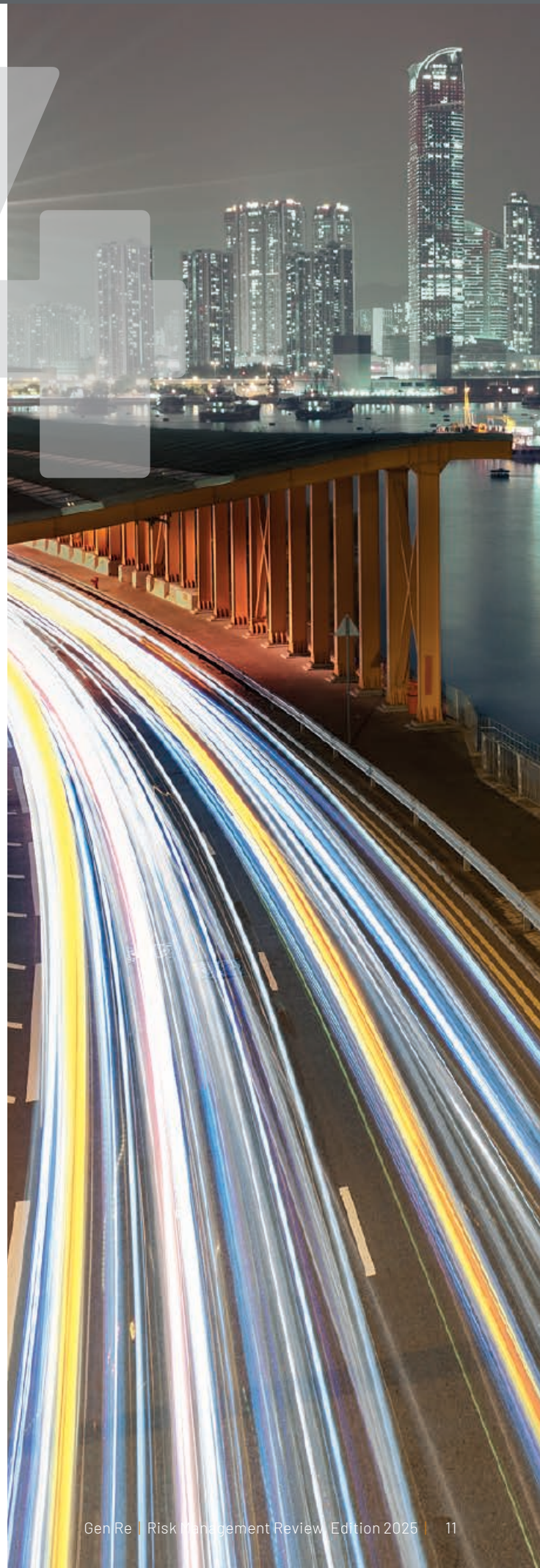
Resilient Operations – The Secret to Sustained Excellence

An Interview with Michael Hosking, Chief Operating Officer & Chief Risk Officer, Gen Re International P&C, London

Risk Management Review: What is operational resilience? How would you define it?

Michael Hosking: Operational resilience is an organisation's ability to anticipate, respond to, and adapt to both gradual changes and sudden disruptions, ensuring continuity of its critical business operations.

Not being entirely new, operational resilience brings together established areas such as business continuity, disaster recovery, crisis management, and incident response. What's different today is the need for a more integrated approach due to the increasing frequency and severity of disruptions globally – whether from complex supply chains, cyber attacks, or operational failures. Key elements of operational resilience include:

- Business continuity and incident response: Maintaining critical operations during and after disruptive events, supported by robust plans for cyber and physical threats
- Risk management: Identifying, assessing, and mitigating risks, while accepting that some disruptions may be unavoidable
- Vendor management: Managing reliance on third parties and ensuring they have the controls and governance to maintain resilience, with exit plans in place if needed
- Information security: Safeguarding systems and data from cyber threats, including training to prevent incidents such as phishing

RMR: Do you consider operational resilience to be an essential component of operational excellence?

Michael Hosking: Yes, definitely. Operational resilience is a key pillar of operational excellence, especially for providers of future financial services. Insurance inherently involves long-term promises, so uninterrupted service and data integrity are essential to maintain client trust over many years.

Operational resilience integrates business continuity, risk management, vendor oversight, and information security to ensure critical services keep running during disruptions. In today's environment, with growing cyber threats and complex supply chains, this holistic approach supports regulatory compliance and safeguards market stability.

By embedding resilience into their operations, insurance companies are ensuring that they can consistently meet client needs, protect sensitive data, and uphold their reputation – demonstrating that true operational excellence depends on the ability to withstand and adapt to challenges.

RMR: What are real-world examples indicating that resilience is truly needed? How bad can it get?

Michael Hosking: The short answer: very bad. Operational disruptions have cost companies hundreds of millions and have significantly damaged reputations. There are many well-publicised examples of severe operational disruptions that highlight the scale of losses companies can suffer.

Such incidents expose the vulnerability of modern supply chains and IT infrastructures and the cascading impact on clients, markets, and financial stability. These aren't just hypothetical risks; they're real-world events that demonstrate the urgent need for strong resilience frameworks across insurance operations.

RMR: Operational resilience focuses primarily on critical core processes. How can such processes in insurance be identified?

Michael Hosking: To identify such business processes, we recommend first modelling all the processes across the organisation – examining what they do, which systems and third parties they rely on, and where their data resides. This helps establish a baseline of how the business operates.

Next, we suggest initiating a business impact analysis, assessing each process against standard criteria to determine its centrality. This includes evaluating which operations are essential to the survival of an organisation – such as underwriting, claims, or finance – and considering the potential harm to clients, financial markets, and stakeholders if these services were disrupted.

The result of that approach is a prioritised list of critical processes that form the foundation of the resilience framework. These are the services that have to recover first in a crisis. While all processes are important, this exercise helps ensure to focus resources on what matters most to maintain continuity and minimise harm. It's a rigorous effort but vital to building a truly resilient organisation.

RMR: How can insurance organisations embed resilience into their daily operations and long-term strategy?

Michael Hosking: Building and maintaining operational resilience is a shared responsibility across the organisation. Everyone contributes through preventive actions – such as following security guidelines, completing training, and reporting phishing attempts – that reduce the risk of cyber incidents.

Resilience also relies on robust internal processes. Although sometimes seen as bureaucratic, these ensure that vendor governance, application resilience, and business continuity are properly considered. Understanding the reliance on third parties, IT platforms, and processes helps to plan for failure scenarios and maintain critical operations.

When incidents occur, there should be a structured response: IT detects and diagnoses the issue, escalating if it threatens resilience. A crisis management team – spanning IT, risk, legal and audit – decides on next steps, including communications with internal and external stakeholders. If needed, business continuity or contingency plans are triggered to ensure services continue.

Ultimately, resilience isn't only about reacting – it's about anticipating disruption and embedding safeguards throughout the business model.

About the interview partner

Michael Hosking *is the Chief Operating Officer & Chief Risk Officer for Gen Re International P&C, the Chief Risk Officer for Faraday Underwriting Limited and a Director on the Faraday board. Michael's team are responsible for all aspects of operations across the Gen Re International P&C and Faraday businesses as well as enterprise risk management. This includes the Own Risk and Solvency Assessment (ORSA) process and ensuring compliance with relevant regulatory requirements. Michael has worked in risk and capital management for 20 years, is a certified Chartered Insurer with the ACII designation and holds a Master's in Finance from Durham University.*

The Art of Dynamic Leadership – The Interplay Between Shaping and Adapting

by Ulrich Geuther, Leadership Trainer, Executive Coach, Change Management Consultant, Lisbon, Portugal.

About the article

The following article explores the dynamic relationship between purpose and agility in leadership, grounded in the broader interplay of shaping and adapting. It argues that effective leaders – particularly in complex fields such as the insurance industry – should develop a third, integrative capacity, that we call "situational fluency". This capability allows leaders not only to shift between the modes of shaping and adapting, but to synthesise them into a responsive and coherent leadership practice.

Leadership in the age of uncertainty

In the insurance industry, the longstanding logic of risk calculation increasingly intersects with the forces of innovation. While still being defined by statistical predictability and actuarial discipline, the field now additionally faces waves of transformation driven by new technologies, shifting demographics, climate change, and emerging societal demands.

The industry's foundational logic has entered into active dialogue with a new reality in which innovation is no longer a peripheral consideration. Instead, innovation has started to become an integral part of the industry's business models.

In such a volatile landscape, decisive leadership is needed. Half-measures or compromises will not be sufficient in moments of crisis and transformation. Moreover, in a world of relentless disruption linear thinking is no longer effective. Navigating complexity has become one of the most crucial leadership capabilities.

Dynamic leadership has evolved beyond the binary tasks of setting direction or reacting to change. What determines whether companies endure, evolve, or disappear depends now on how the organisation masters the contemporary leadership challenge, i. e. to hold fast to a compelling purpose while simultaneously responding with agility to emergent realities.

This requires integrating two essential capacities: shaping and adapting. Their interaction leads us to the foundation of not only leadership, but of human nature itself.

Shaping and adapting – Biological, psychological and philosophical foundations

At the core of human existence lies a continuous negotiation between shaping and adapting. We are not passive beings, solely determined by our environment, but nor are we omnipotent architects of our future. Rather, we live in a constant oscillation: we adapt to what is, and we shape what might be. Let's have a closer look at both concepts and their interaction.

Shaping

In biological terms, shaping is a hallmark of our evolutionary development. It draws on the brain's prefrontal cortex, responsible for planning, goal-setting, and abstract thinking. Humans are uniquely capable of envisioning futures and taking deliberate actions to structure them.

In psychological terms, shaping is associated with intrinsic motivation, identity-driven behaviour, and the capacity for purpose alignment. It reflects our need for coherence, direction, and meaning, as articulated in theories such as Deci and Ryan's self-determination theory[1] and Viktor Frankl's existential psychology.[2]

In a philosophical perspective, shaping is based on the belief that human beings are not merely reactive organisms but deliberate agents guided by ideals that transcend immediate experience. Thinkers such as Aristotle describe the human condition as intentional and meaning-seeking. Shaping is the embodiment of this agency in leadership.

Adapting

In biological terms, adapting is rooted in the limbic system and stress response mechanisms, which evolved to help organisms survive changing environments. Neuroplasticity – the brain's capacity to rewire itself – supports our ability to adjust behaviours in response to feedback and novel input.

In psychology, adaptation is a key concept that aligns with theories of resilience, learning, and cognitive flexibility. It is supported by Bandura's social learning theory[3], Piaget's adaptation processes[4] (assimilation and accommodation), and Heifetz's theory of adaptive leadership.[5] All these theories emphasise our capacity to revise assumptions and respond effectively under uncertainty.

In philosophy, adapting reflects a pragmatic worldview, as seen in thinkers such as John Dewey.[6] It embraces contingency and relationality rather than linear control. In existential terms, it acknowledges that much of life is unpredictable – and that wisdom lies in responsiveness, not rigidity.

The dynamic interaction between shaping and adapting defines human consciousness and agency. Our creativity is born in constraint, and our resilience finds meaning in direction. It is the tension – and the harmony – between these two forces that animate the human condition in general, and effective leadership in particular.

The dynamic leadership matrix

As far as leadership is concerned, the interaction between shaping and adapting can be described with a simple model that illustrates perfectly the central thesis of this article. We call the model the "dynamic leadership matrix".

This visual framework maps the two key factors – purpose (vertical axis) and adaptiveness (horizontal axis) – to show where leadership styles converge or fall short (Figure 1).

Here is the overview:

- **Low purpose/Low adaptiveness:** Drift and confusion. No clear vision, no agile response.
- **High purpose/Low adaptiveness:** Rigid idealism. Strong convictions, but resistant to necessary change.
- **Low purpose/High adaptiveness:** Reactive scrambling. Fast adjustments without strategic anchor.
- **High purpose/High adaptiveness:** Dynamic leadership zone. Vision and agility reinforce each other.

Figure 1: The dynamic leadership matrix
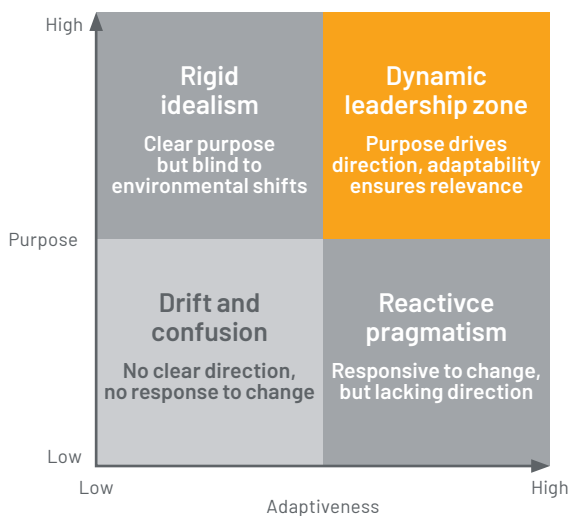
Source: Ulrich Geuther

The upper right quadrant (high purpose/high adaptiveness) represents the target area. It describes leaders and organisations that remain anchored in a shared purpose while responding fluently to changing circumstances. This area is called the dynamic leadership zone.

Shaping and adapting – The dynamic interplay of leadership

Shaping-oriented leadership provides orientation in times of volatility. Anchored in long-term vision and shared values, it aligns organisations around aspirational goals. Within the insurance sector, this may entail the proactive redesign of protection models in response to emerging risks such as climate change or demographic shifts. Purpose-led leadership mobilises collective action, fosters transformation, and serves as a stabilising force in turbulent contexts. Shaping leaders pose the question: "What future are we here to create?"

Yet, if pursued without flexibility, such leadership can devolve into ideological rigidity, blinding leaders to necessary course corrections.

Adapting-oriented leadership, in contrast, excels amid complexity and ambiguity. It is characterised by active listening, rapid learning, and responsive adjustment. For example, when the COVID-19 pandemic disrupted global insurance operations, leaders who thrived were those who recalibrated quickly: digitising processes (e.g. claims handling), enabling remote consultations, and re-evaluating risk models in real time. Adaptive leaders ask: "What does this moment demand of us?"

However, when not tethered to a unifying purpose, adaptation may become reactive, fragmented, and ultimately unsustainable.

The shaping and adapting dimensions are not contradictory but complementary. Purpose supplies the "Why"; adaptation answers the "How now". Leadership becomes effective in the space where these forces intersect. Shaping without adapting is brittle. Adapting without shaping is aimless.

Situational fluency – The leader as integrative navigator

True leadership mastery resides in the capacity to discern which mode – shaping or adapting – is called for at a given moment. This quality is best described as "situational fluency".
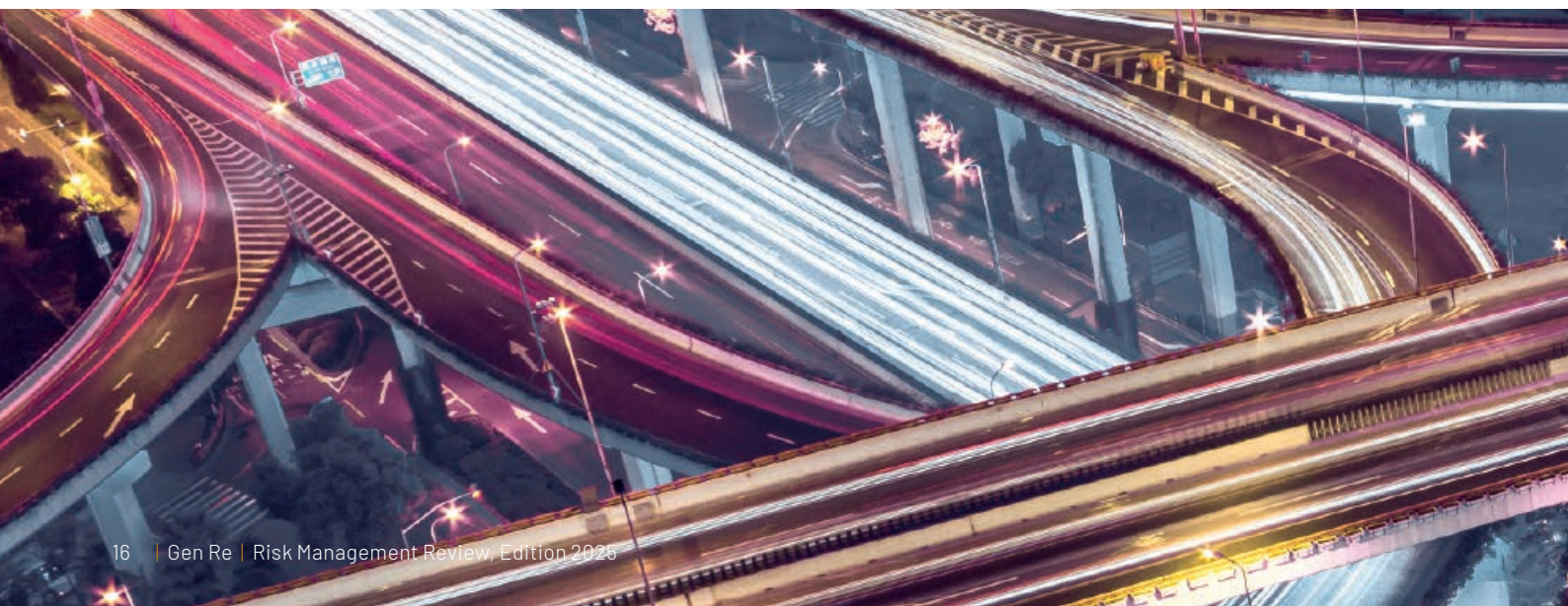
It is the finely tuned ability to:

1. Read environmental cues for identifying external disruptions

2. Assess organisational energy in order to understand and direct internal dynamics

3. Calibrate action accordingly through self-aware decision-making

1. External disruptions

External disruptions such as regulatory shifts or cybersecurity incidents may necessitate an immediate adaptive response. During the initial phase of the COVID-19 crisis, insurance executives had to act decisively – launching digital infrastructure, ensuring operational continuity, and adjusting claims practices in an unprecedented climate. Conversely, moments of strategic opportunity, such as the emergence of sustainable insurance models, require a return to shaping: anchoring the enterprise in long-term vision and mobilising it toward transformation.

2. Internal dynamics

Internal dynamics offer critical guidance. When morale is low and the organisation appears disconnected, leaders must often re-engage purpose, reiterate values and rearticulate vision. On the other hand, when bureaucratic inertia or decision fatigue dominate, what is needed is not rhetorical alignment but operational agility – streamlining processes, removing bottlenecks, and creating safe environments for experimentation.

This is where self-awareness becomes essential. While leaders monitor external disruptions and internal dynamics, their ability to accurately interpret both is deeply influenced by their own inner state – emotions, biases, energy levels, and habitual patterns. Without metacognitive awareness, even the most experienced leaders may default to familiar behaviours that do not fit the moment.

3. Decision-making based on self-awareness and self-regulation

Much like a navigational instrument in an aircraft or a spaceship which helps to maintain orientation in turbulence or zero gravity environments, self-awareness enables leaders to remain centred amid volatility. It continuously senses deviations and helps restore balance, allowing leaders to course-correct before drifting too far in one direction. Self-awareness empowers intuitive sensing, emotional regulation, and the ability to hold ambiguity without losing direction. In this sense, leadership is not only about technical expertise and professional experiences but about the capacity to continuously reflect, self-correct, and stay grounded while facing turbulent situations.

As we have seen in all kinds of industries during the pandemic, leaders exemplified situational fluency by enhancing digital infrastructure, streamlining services, and through recommitting to their purpose and long-term goals such as innovation or sustainability.

Especially in times of crisis, the integrative capacities of leaders make a huge difference. Dynamically combining resilience with strategic vision enables organisations to stay on track.

Dynamic leadership and its role in modern leadership approaches

The spectrum of modern leadership has evolved impressively since the second half of the 20th century. A long list of leadership styles allows executives to find a leadership approach that fits best to their way of guaranteeing the organisation's success.

A closer look at the current 10 most popular leadership styles reveals that all of them align with either shaping or adapting.
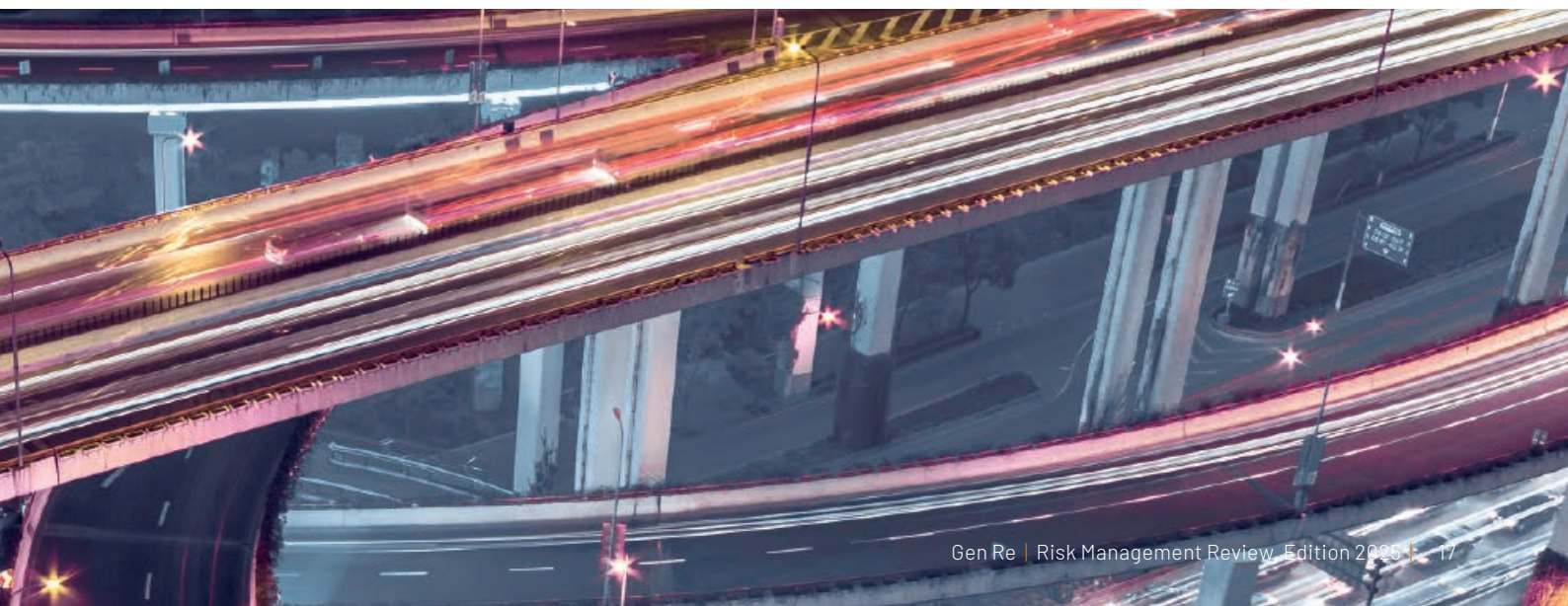
Shaping-oriented styles

- **Purpose-driven leadership:** Aligns people around long-term, meaningful goals
- **Transformational leadership:** Inspires deep change through values and vision
- **Strategic leadership:** Directs future success by aligning strategy and action
- **Visionary leadership:** Anticipates change and mobilises others toward a desired future
- **Innovative/entrepreneurial leadership:** Encourages risk-taking and creates new opportunities

Adapting-oriented styles

- **Adaptive leadership:** Responds flexibly to emerging conditions and feedback
- **Servant leadership:** Supports team growth by listening and enabling
- **Agile leadership:** Moves quickly through iteration and decentralisation
- **Situational leadership:** Modifies style based on context and readiness
- **Collaborative leadership:** Builds alliances and makes shared decisions across boundaries

This typology does not divide leaders into fixed types. Instead, it highlights the importance of flexibility and the strategic capacity to move between modes as situations evolve. The most effective leaders today are not committed to one style, but skilled in the ongoing synthesis of multiple approaches.

Building the skillset for integration

To bridge the domains of shaping and adapting, leaders cultivate discrete skills and a distinct mindset. At the core of this mindset is cognitive flexibility: the capacity to hold opposing tensions without collapsing into either rigidity or confusion. This flexibility is supported by a deep sense of self-awareness, a systems-thinking perspective, and the emotional maturity to tolerate uncertainty while remaining purpose-driven.

Leaders who succeed in this dynamic zone are not merely skilled strategists or agile operators – they are integrative thinkers. They approach decisions with contextual sensitivity, continuously asking two decisive questions: what is needed here, now? And, how does it serve where we are trying to go?

In daily leadership practice, this integration is revealed in several ways. In meetings, dynamic leaders shift seamlessly between long-term framing and short-term tactics. In team development, they alternate between providing direction and inviting co-creation. In communication, they anchor messaging in shared values while adjusting tone and emphasis to current realities.

Shaping-oriented leadership requires the articulation of vision, the embedding of shared values, and the capacity to buffer against short-termism. Adaptive leadership, in contrast, demands feedback literacy, experimentation tolerance, and a collaborative stance towards problem-solving. But integration goes further. It means intentionally linking the two: applying adaptive feedback loops to revise vision when needed, and drawing on purpose as a compass to interpret uncertainty. Integration is not static: it is iterative, reflective, and dialogical.

Consider again the dynamic leadership matrix in Figure 1: only in the upper right quadrant do we find the dynamic leadership zone, where shaping and adapting converge, where clarity and flexibility reinforce one another.

Conclusion – Dynamic leadership as a way of being

Leadership in the 21st century is no longer a question of either commanding direction or embracing flexibility – it is the disciplined art of doing both. Today's leaders operate in complex, shifting landscapes where the map is incomplete and the horizon undefined. But what sets great leadership apart is not certainty. It is the practised fluency to sense, to steer, and to stay oriented towards purpose – even when visibility is low.

Leadership in the dynamic zone is marked by fluidity: vision that is alive to reality, and adaptation that is meaningful. It involves acting decisively without becoming dogmatic, and remaining responsive without becoming reactive. The hallmark of this style is not compromise, but coherence. Action needs to align purpose with moment-to-moment insight. In this light, leadership becomes less a role and more a way of being, i.e. a lived, evolving practice. It requires inner clarity and outer sensitivity.

Drawing strength from values, and wisdom from context, dynamic leadership is built on the courage to create and the humility to adapt. For industries such as insurance, where the future is both a promise and a problem, this dual capability is not a luxury – it is a necessity.

Insurance depends on forecasting the future, so while that future increasingly defies accurate prediction, leadership logically becomes both more visionary and strategic, and more adaptive at the same time. For those willing to embrace this paradoxical requirement, leadership turns into a driving force that enables organisations to further develop resilience, to reinforce their commitment to innovation and to shape the future they desire.

Endnotes

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About the author

Ulrich Geuther is an international Leadership Trainer and Coach based in Lisbon, Portugal. For more than three decades he has been supporting companies from all industries to establish lasting changes and innovations. He has a long-standing familiarity with the specific requirements of the insurance industry.

Leading Dynamic Environments – Practical Tools

by Oliver Röhrich, Trainer, Executive Coach, Facilitator, Book Author, Lisbon, Portugal

About the article

This article offers practical tools to train mental flexibility and adaptive strategic thinking. We'll explore hands-on methods that can help you build a mindset that thrives in complexity and leads with agility. Whether you're managing a team through transformation or steering a business through change, these tools will equip you to lead with clarity and resilience – even when the path ahead is uncertain.

In a world defined by constant disruption – whether through technological innovation, shifting markets, or global crises – leaders are no longer expected to simply stick to a plan. They're expected to adapt, rethink, and respond in real time. The rules are changing fast, and so must we.

Mental flexibility and adaptive strategic thinking have become essential capabilities for any leader navigating dynamic environments. These aren't just traits you're born with – they're skills you can deliberately develop. Flexible leaders respond to uncertainty with curiosity rather than fear. They can shift direction without losing sight of their vision, rethink their assumptions without losing confidence, and make bold decisions without clinging to rigid plans.

Understanding the core concepts

Before introducing practical tools, it's essential to understand what we're actually training. Mental flexibility and adaptive strategic thinking are terms often mentioned in leadership conversations – but what do they really mean in action?

Mental flexibility: Thinking beyond the habitual

Mental flexibility is the ability to shift your perspective, embrace new information, and change your approach when the situation demands it. It's what allows a leader to adjust their tone in a tense conversation, to pivot strategy mid-project, or to unlearn a belief that no longer fits the context.

In rigid leaders, decision-making often becomes reactive and binary: fight or flight, right or wrong, success or failure. In flexible leaders, there's nuance. They see more options. They ask better questions. And they're not attached to being right – they strive for learning and improving.

Adaptive strategic thinking – Leading with agility

If mental flexibility is the mindset, adaptive strategic thinking is the skillset. It's the ability to think ahead, anticipate change, and design strategies that are dynamic rather than static. Traditional strategy often assumes a stable environment in which you can plan linearly from A to B. But adaptive strategy is different – it's iterative, responsive, and deeply connected to continuous learning.

Adaptive strategic thinkers understand that today's solution might not work tomorrow – and they're okay with that. What matters is not having the perfect plan, but having the capability to adjust, test, and evolve the plan as conditions change.

Individually, mental flexibility and adaptive strategic thinking are powerful. Together, they're transformative. Leaders who cultivate both can:

- Stay composed and clear-headed under pressure
- Pivot without panic
- Involve others in strategic conversations with openness and trust
- Respond to ambiguity not with fear, but with curiosity

These are the leaders who thrive in dynamic environments – not because they control the chaos, but because they've trained themselves to flow with it.

Let's look at three practical tools that will help you train mental flexibility and adaptive strategic thinking.

Tool 1: Scenario planning

In dynamic environments, traditional planning often fails because it assumes stability. But reality is rarely linear. That's why agile leaders are shifting from rigid forecasting to scenario planning – a strategic tool that strengthens mental flexibility by preparing for multiple, plausible futures.

Scenario planning doesn't aim to predict exactly what will happen. Instead, it helps leaders explore a range of possibilities, so they can spot early signals, reduce blind spots, and adapt quickly when conditions shift.

What is scenario planning?

Scenario planning is the practice of building and exploring different versions of the future – then stress-testing your strategy against each one. It's not about fantasy. The best scenarios are grounded in real trends, uncertainties, and emerging dynamics.

This approach helps leaders move away from binary thinking ("This will either succeed or fail") and into possibility thinking ("Here are three very different ways this could unfold – how do we prepare for each?").

Why it matters for leadership

When leaders are prepared for only one outcome, they get blindsided. But when they've already explored different scenarios, they respond more quickly and confidently, making better decisions. Scenario planning trains your mind to stay flexible while maintaining strategic focus. It also helps teams move from fear-based reactivity to insight-based decision-making. In uncertain times, this clarity is a competitive advantage.

Start scenario planning

Scenario planning doesn't require complex models or hours of analysis. It's a simple 3-step process. Here's how to get started:

1. **Identify a key uncertainty**
   Choose a situation with unpredictable elements – market shifts, team restructuring, customer behaviour, or regulatory changes. Ask: "What's unclear but highly impactful?"

2. **Develop two or three contrasting scenarios**
   Explore a range of scenarios: one positive, one challenging, and one somewhere in between. Keep them realistic, but meaningfully different.

Example for a product launch:

- Scenario A: Demand exceeds expectations
- Scenario B: Competitor launches first
- Scenario C: Market appetite is lower than forecast

3. **Stress-test your strategy**

For each scenario, ask:

- What risks and opportunities emerge?
- What would we need to change or accelerate?
- What early signs should we watch for now?

This turns vague "what-ifs" into strategic foresight.

Making it a habit

Scenario planning is most powerful when it becomes a rhythm, not a reaction. Try:

- Using it during quarterly reviews or major decision points
- Involving your team to broaden perspectives and reduce bias
- Revisiting scenarios when key assumptions shift

You don't need to map every possible future. Just start with a few that stretch your current thinking and help you lead with more range.

Tool 2: Mental reframing

When faced with uncertainty or pressure, it's not just what happens that matters – it's how we interpret it. Mental reframing is the practice of consciously shifting how we perceive a situation. It's a simple yet powerful habit that builds mental flexibility, strengthens emotional resilience, and opens the door to more strategic responses.

Why reframing matters for leaders

Leadership is filled with ambiguity: missed targets, sudden changes, resistance from others, complex decisions. A rigid mindset might default to frustration, blame, or a sense of failure. But reframing allows leaders to pause and ask: what else could this mean?

Instead of getting stuck in a single interpretation, reframing creates space for possibility. It doesn't change reality – but it changes how we engage with it. That shift leads to better questions, smarter decisions, and a more composed presence.

Practical reframing techniques

Here are some quick-access techniques to practice reframing as a leader:

- The balcony view: Step outside the situation mentally. "What would an outside observer see?" "What patterns become visible from a higher vantage point?"
- Multiple interpretations: For any event, list three different interpretations. Push beyond your first reaction. This builds cognitive agility.
- From threat to challenge: Recast pressure as a test of strength. Instead of "This is overwhelming" try "This is an opportunity to grow my capacity."

Integrating reframing into daily leadership

Reframing isn't a one-time trick – it's a daily practice. Try it in:

- Feedback conversations: Shift from blame to learning
- Strategic reviews: Shift from "what's wrong" to "what's possible"
- Self-talk: Shift from inner criticism to self-inquiry

You can also model reframing in your team by openly sharing how you're interpreting a challenge and inviting others to do the same. This creates a culture of shared learning and perspective-taking.

Reframing builds a kind of mental muscle: the more you use it, the more natural it becomes to lead with openness and perspective. It doesn't make hard situations disappear – but it makes you much more capable of navigating them with strength and creativity.

Tool 3: Exposure to cross-context experiences

One of the most powerful approaches to train adaptive strategic thinking isn't in a meeting room – it's by deliberately placing yourself in unfamiliar territory. Exposure to cross-context experiences means stepping outside your usual environment to gather insights, perspectives, and approaches from different fields, cultures, or roles.

This kind of exposure stretches your thinking. It challenges assumptions you didn't even realise you had. And over time, it creates leaders who are more creative, more adaptable, and more strategically agile.

Why it works – The value of cognitive diversity

Our brains are wired to look for patterns – and often, that means repeating the same strategies in familiar settings. But innovation rarely comes from staying in your lane. When you expose yourself to other ways of working, leading, or thinking, you expand the mental models you can draw from.

Strategic flexibility thrives on cognitive diversity – the ability to see a problem from multiple angles. Cross-context experiences are one of the best approaches to develop that.

Practical strategies to broaden your context

You don't need to take a sabbatical or switch careers to benefit from this tool.

Here are simple, intentional methods to build cross-context exposure:

- Rotate roles internally: Temporarily lead a function outside your expertise. This builds empathy and systems thinking.

- Read outside your domain: If you're in finance, read about architecture. If you're in operations, study improvisation. Unrelated fields often spark relevant breakthroughs.

- Diverse networking: Build relationships with people who think and work differently from you. Their challenges and solutions can reveal blind spots in your own context.

- Cross-functional projects: Volunteer for initiatives that cut across departments. These projects are fertile ground for pattern recognition and integrative thinking.

From exposure to application

The real power comes when you start asking, "What can I borrow from this?" or "How does this idea translate to my world?" Here's a simple reflection habit to apply after any cross-context experience:

1. What surprised me?

2. What did I see that challenged my usual approach?

3. How might this apply to a current challenge I'm facing?

Over time, these experiences create a "mental portfolio" of approaches. You'll no longer be bound to a single framework – you'll have a strategic toolbox drawn from a wide range of lived insights.

Leaders who actively seek variety, discomfort, and unfamiliarity don't just survive dynamic environments – they grow stronger through them. Exposure isn't a detour from strategy. It's fuel for better strategy.

Putting it all together – A practice routine

Reading about flexibility and adaptive thinking is a great start – but real transformation happens when these concepts become habits. The tools we've explored – scenario planning, mental reframing, and cross-context exposure – are most effective when practised consistently, not just in moments of crisis.

Here we'll explore how to build a simple, sustainable routine that strengthens your adaptive mindset and sharpens your strategic reflexes.

Start small – Choose your entry point

No leader has time to overhaul their mindset overnight. Begin by choosing one tool to focus on for the next two weeks. Ask yourself:

- Which tool resonates most with my current challenges?
- Where do I feel the most stuck in rigid thinking or strategy?
- What feels doable with my current schedule?

From there, build small rituals around it.

Practise

Here's a sample practice rhythm that blends all three tools in a manageable, repeatable way:

Practice 1: 15-minute scenario sketching

- Outline two alternative "what if" futures for a current project
- Ask: "What would I do differently in each case?"

This builds comfort with ambiguity and forward-thinking strategy.

Practice 2: Mental reframing check-in

- Choose one challenging moment or interaction from the week
- Reframe it using questions such as: "What else could this mean?" or "What's the opportunity here?"

Over time, this becomes an automatic habit of perspective-shifting.

Practice 3: 20-minute cross-context spark

- Read an article, watch a short talk, or chat with someone outside your field
- Reflect: "What's one idea I can translate to my own context?"

This fuels creative thinking and expands your strategic lens.

Ongoing

- When something unexpected happens, pause and ask: "How else can I respond?"
- When making decisions, consider at least two strategic options, not one.
- Keep a running note of leadership surprises and how you adapted.

Track patterns, not perfection

Building mental flexibility isn't about immediate mastery – it's about noticing change over time. Progress often shows in subtle shifts. Instead of judging success by how perfectly you apply each tool, look for patterns:

- Are you noticing new ideas more quickly?
- Are you pausing more before reacting?
- Are you seeing more options when making decisions?

Even small shifts in awareness are signs that your mindset is evolving.

Involve others in your growth

Adaptability grows stronger in community. Rather than navigating change alone, inviting others into your learning journey can deepen your insights and broaden your perspective. Consider:

- Sharing your scenario plans with a colleague for feedback
- Starting meetings with a quick "reframe the problem" exercise
- Asking your team to bring cross-context ideas to strategy sessions

By modelling flexibility and openness, you create a culture that mirrors it.

Conclusions

In fast-changing, unpredictable environments, the leaders who thrive are not the ones with rigid plans or perfect answers. They are the ones who can adapt in motion – who stay curious, recalibrate quickly, and think strategically even in uncertainty.

Mental flexibility and adaptive strategic thinking are not abstract ideals. They are trainable skills, grounded in psychology and sharpened through practice. With tools such as scenario planning, mental reframing, and cross-context exposure, you can start building a more agile, resilient mindset – one that doesn't just react to change, but evolves through it.

You don't need to master everything at once. Start small. Pick one tool, one shift in mindset, one new question to ask yourself. Reflect often. Share what you're learning. And trust that every stretch outside your comfort zone is building a more capable, creative version of your leadership.

Because in today's world, flexibility isn't just a survival skill – it's a superpower!

About the author

Oliver Röhrich can look back on 20 years of experiences as a Trainer, Executive Coach, Facilitator and Book Author – covering topics spanning from organisational change to leadership and innovation. Oliver lectures leadership and change management at the Lisbon University Institute (ISCTE-IUL) and was four times voted best lecturer.

For more than 20 years he has been living and working in different countries, including Portugal, the U. S., Spain and France. As an enthusiast for languages, he can deliver his programmes in five languages: English, Portuguese, Spanish, French and German.

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