UNLOCKING INNOVATION: THE POWER OF PSYCHOLOGICAL SAFETY

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The insurance industry has been on an unrelenting quest for innovation over the course of the last 20 years, and with each passing year the stakes associated with not innovating get higher.

An Innosight article from May 2021 stated: "As a long-term trend, the digital revolution has already reshaped the S&P 500. In 1969, industrial companies represented a third of the index. A half-century later, 68 firms are industrials. Over the same span, info-tech companies went from 16 to 68, tied for the top spot. Innovation has flourished during the pandemic, as new solutions have displaced the way we've done things before."[1]

My own introduction to the topic of forming successful innovation teams was heavily influenced by *The Fearless Organization*[2] by Dr. Amy Edmondson and *Choosing Courage*[3] by Dr. Jim Detert.

Both call out the findings from Project Aristotle, a study of teams at Google that found the No. 1 predictor of high performance in those teams is psychological safety (a belief that one will not be punished or humiliated for speaking up with ideas, questions, concerns or mistakes). It is one of three conditions I view as non-negotiable for a successful innovative team. Those three conditions are:

1. Clarity of purpose.
2. Psychological safety and professional courage.
3. Constant inspection and adaptation as a way of working.

Clarity of Purpose

The team should have clarity of purpose. Knowing not just what they are trying to do, but why they are trying to do it (and even better — how it makes the world, or at the very least their company, a better place) is not just a motivator; it helps provide a decision-making

Executive Summary *To successfully innovate, teams need clarity of purpose, psychological safety, and a habit of constant inspection and adaptation. Teams with all three can deliver amazing results. Be clear in your purpose, allow courage to thrive, and be Agile in your execution. The innovation your company needs to survive will blossom as a result.*

framework that allows empowered teams to make better independent decisions.

In organizations where the purpose is clear, every member of that organization understands what you are setting out to do and why. It is hard to overstate the power of that when it comes to decision making. Without purpose, simple tasks may be caught in a bureaucratic approval process. Nobody is confident who can or should decide.

Teams with clarity of purpose can successfully be self-organizing. The ability to self-organize is critical for innovation teams because it gives them the freedom to quickly adapt and adjust. They do not have to wait for or rely on top-down direction. Top-down direction often results in bottlenecks and choices being made by people who are not sufficiently close to the detail of the work. On a self-organizing team, you will find people willing to step up and make decisions because they understand the goals and how decisions will contribute to them.

Larry Fink, BlackRock CEO, said in his 2022 letter to CEOs[4]: "It's never been more essential for CEOs to have a consistent voice, a clear purpose, a coherent strategy and a long-term view. Your company's purpose is its north star in this tumultuous environment." This should carry though all the way to the team level,

with each team understanding how it contributes to that purpose.

Psychological Safety and Professional Courage

An innovative team needs to be a team in which the importance of psychological safety and professional courage is recognized, and the behaviors and mindsets that create both are actively cultivated.

In some ways, delivering innovative work is like running an obstacle course we've never seen before. We will encounter challenges we did not expect, and we will be asked to overcome them. Often those obstacles will be in the form of fear. Fear of questioning assumptions or of challenging the organizational inertia of "that's how we've always done it." In our innovation obstacle course, psychological safety helps reduce or remove the obstacles, while professional courage helps our runners jump higher and climb faster to overcome whatever hurdles remain.

If psychological safety is the No. 1 predictor of high performance, why have I put it behind clarity of purpose, you might ask. Extending the obstacle course analogy – clarity of purpose will ensure that you're running the right race; high performance on the wrong objectives is just efficiently wasted time.

A psychologically safe environment and development of professional courage will not frequently occur without a deliberate and specific attempt to create them. Whether innovation is important to your organization or not, encouraging these behaviors and skills will pay off in the form of increased employee engagement and satisfaction and increased efficiency and transparency. Leaders, in particular, need to champion this mindset and then demonstrate behaviors that reinforce it.

This concept is sometimes mistakenly thought of as an excuse to accept poor performance or a reason not to hold people accountable. That is not the case at all. Instead, it encourages us to have a framework to clearly delineate where the stakes are too high to allow failure, and where a "test and learn" approach will spur learning and innovation.

For example, imagine your team deals with sensitive information such as that collected during life insurance underwriting. Your failure model might look like this.

This model spans a spectrum which on one side says, "We must follow these policies, or we risk violating laws or exposing data." On this side of the spectrum, it is clear that we have no tolerance for failure, and these failures are preventable by following policies that have been established to protect against them.

On the other side of the spectrum, the impact of failure is low, and thoughtful experimentation with new ways of doing things is encouraged. In the middle of the spectrum, the team weighs the cost/benefit of their experiments and balances the risk of failure with the reward a successful experiment may produce. They should be encouraged to record their learnings (likely in the form of recommended practices) so other teams and their own future work will benefit from what they have learned.

The importance of having a model (specific to your team and your business) which delineates the "red zone" in which failure is not allowed is that it also allows the team to understand that failures outside of that red zone can be learning experiences. Some teams, without that guidance, will put every failure into that red zone, completely quashing the spirit of innovation because it is not clear to them where failure is tolerated or not.

Inspection and Adaptation

Finally, an innovative team needs to be able to try different approaches to solving problems quickly, evaluate whether what they tried was successful, and learn from both the successes and failures.

Teams who follow an Agile framework,[5] such as Scrum, build the process of inspection and adaptation as a behavior that becomes second nature, and do so in a way that encourages the behaviors and mindsets we need on a high-performing team.

Scrum ceremonies, such as planning, provide an opportunity to frame the work (the first step in estab-

lishing psychological safety) and include structures such as daily scrum and retrospectives that invite participation (the second step), to create confidence that input is welcome (daily scrum and retrospectives). Both the Agile values and Scrum values reinforce the importance of responding productively (the final step).

Like the scrum framework itself, these steps to encourage psychological safety are cyclical, and reinforce each other in either a virtuous cycle when behaviors are conducive to building safety, or a vicious, and often precipitous, cycle when they are not.

Agile frameworks are well suited to creating and improving psychological safety and professional courage within a team, especially if the team members and leaders are aware of their importance and supportive of the outcomes they can yield. A team who follows Agile processes, but does not have psychological safety, will never reach its full potential, as healthy debate and collaborative disagreement is an important capability for a team to have as they strive to deliver the best outcomes.

Conclusion
A team of skilled individuals focused on a motivating challenge and using a constant loop of inspection and adaptation in an environment that encourages psychological safety and professional courage can deliver amazing results. One of the most rewarding experiences in your professional career can be working with a team that utilizes the Agile framework.

So be clear in your purpose, allow courage to thrive, and be Agile in your execution. The innovation your company needs to survive will blossom as a result.

For more in-depth reading on these topics, I highly recommend the following:
- *The Fearless Organization* by Dr. Amy Edmondson.
- *Choosing Courage* by Dr. Jim Detert.
- *Brave New Work* by Aaron Dignan.
- *Managing for Happiness* by Jurgen Appelo.

Notes
1. Viguerie, Patrick; Calder, Ned; Hindo, Brian. "Innosight, 2021 Corporate Longevity Forecast," *Innosight*, May 2021, www.innosight.com/insight/creative-destruction/.
2. Edmondson, A. C. (2018). *The Fearless Organization*. John Wiley & Sons.
3. Detert, Jim (2021). *Choosing Courage*. Harvard Business Review Press.
4. Fink, Larry; "The Power of Capitalism," 2022, www.blackrock.com/us/individual/2022-larry-fink-ceo-letter.
5. Beck, Kent; Beedle, Mike; van Bennekum, Arie; Cockburn, Alistair; Cunningham, Ward; Fowler, Martin; Grenning, James; Highsmith, Jim; Hunt, Andrew; Jeffries, Ron; Kern, Jon; Marick, Brian; Martin, Robert C.; Mellor, Steve; Schwaber, Ken; Sutherland, Jeff; Thomas, Dave. "Manifesto for Agile Software Development," 2001, https://agilemanifesto.org/.

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About the Author
Al Mele started his career in Information Technology, where he worked as a software engineer in life insurance illustration software. He joined SCOR in September 1999 as a programmer/analyst working on reinsurance administration systems. His drive, knowledge, leadership and client service have led to his success and earned him progressively more challenging roles at SCOR. Until April of 2022 Al served as the Head of Underwriting Innovation in the US Market, responsible for the Velogica (US) team and product, the US Data Analytics team and the US Agile Center of Excellence. Together, these teams focus on predictably, efficiently and transparently delivering innovative underwriting solutions to US customers. He is now the Global Head of Agility for SCOR. Al is a graduate of the University of North Carolina-Chapel Hill, a Certified Scrum Product Owner (CSPO) and Certified Scrum Master (CSM).