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CASE BRIEF: **MICROENSURE'S INNOVATION LAB**

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MICROENSURE'S INNOVATION LAB

Description: MicroEnsure is a leading global insurance solutions provider serving more than 42 million customers in emerging markets.

Products offered: A wide range of products including life, accidental permanent disability, and hospital cash insurance.

Distribution partners: MicroEnsure's most important distribution partners are banking and microfinance institutions and telecom partners.

Customers served: Currently over 42 million globally.

MicroEnsure has over a decade of experience of introducing innovations in insurance for the low-income market. In 2004, MicroEnsure launched Africa's first weather index insurance. In 2009, it launched a market-leading credit life and health insurance product for microfinance banks. And in 2010, it was the pioneer of mobile insurance, launching Tigo Family Care in Ghana. Since then, it has formed partnerships with various mobile network operators across Asia and Africa. During this time, MicroEnsure has reached a total of more than 60 million customers, of whom 4 out of 5 had never experienced insurance before.

As a result, MicroEnsure has a decade's experience learning how to innovate in a traditionally risk-adverse industry. It has experimented with how to best make use of its staff's talents, how to spot the difference between ideas with potential and those to discard, and how to scale up new initiatives. It has learnt several important principles in designing customer-centric products: create simple policies, design in local context, cover likely events, and think outside the box. It goes where its customers live and work to listen to their concerns and, rather than trying to fit pre-existing products to those concerns, it designs new products to meet them.

As MicroEnsure grew beyond start-up status, it has had to learn how to keep a strong focus on innovation whilst also maintaining its existing business. One way it has tried to do so has been through implementing innovation labs.

Innovation labs have become popular over the last few years in institutions from NGOs to city administrations and multinationals. They have become a common structure for collaborative innovation to tackle the major problems facing an organization or company. Innovation labs tend to focus on experimentation and generating new, breakthrough solutions.

MicroEnsure formed innovation labs in Kenya, Ghana and India at the beginning of 2017 to focus on bringing products to market rapidly and finding new sales channels. At the same time, the labs were tasked with creating and testing tools for product innovation which could be used by the rest of the business.

The labs were designed in a way to allow them to experiment more quickly and with fewer restraints than the rest of the business – but also with lower risks given the initial smaller scale of projects. The labs work in a flexible way, with a small permanent labs team to get projects going and additional contractors brought on board as projects scale up. In addition, to allow labs to respond quickly to opportunities, they use a simpler approval process than the rest of the business. In concrete terms, a lab project only requires approval from half of the board members, whereas a core business project requires the approval of 75 per cent of the board.



The innovation labs generate new ideas [through a design sprint process](#). Developed by Google Ventures, a design sprint is a unique process to move from a challenging problem to a product prototype in a short period of time. During a concentrated period, teams propose new ideas, create simple prototypes and quickly test them with clients. Those prototypes that prove promising with clients are then further developed, and new prototypes are tested with potential customers. Once the team is convinced that an idea works, they begin to scale it.

The innovation labs offer many advantages for MicroEnsure. In particular, they helped the company to incubate a new customer-centric culture, oriented towards data- and technology-driven offerings. The labs provide a space for experimentation and failure before determining which products to scale up. They tested more than 10 models across three countries in less than a year, providing time, funds and people to explore ideas knowing that only some of them would be successful. In effect, this means that MicroEnsure is budgeting directly for failure – a powerful message when encouraging staff to take risks. Furthermore, the innovation labs helped attract staff with the start-up and digital skills the company needed.

However, integrating that innovation culture and the labs' work into the rest of the business proved difficult. As the innovation labs progressed, MicroEnsure realized that they were becoming isolated from the rest of the business. The labs had separate budgets, processes and priorities that sometimes led to conflict with other departments. Furthermore, the core business teams did not always have the right incentives in place to support the labs, since that work was not included in their key performance indicators (KPIs). Furthermore, the labs' activities did not guarantee large business volumes in the short term, and its work was therefore often overlooked by legal, technology and operations teams in favor of other priorities.



In addition, the labs' focus on direct testing with customers meant that it was often used to try out ideas that had originated elsewhere in the business. In some instances, it started to be seen as an entity used to prove that ideas would not work and kill projects, which created distrust.

Finally, a mismatch in expectations proved challenging. However quickly the labs could carry out a sprint process and develop a product, finalizing it with an insurance company was a slow process. It was therefore difficult for the labs to meet high initial expectations that they would be able to quickly scale up powerful new ideas.

MicroEnsure was able to partly overcome these challenges through closer collaboration and stronger communication. In particular, it involved cross-functional teams in the labs' projects, allowing the rest of the business to learn from the labs, and the labs to better leverage core business departments.

However, to achieve a more seamless integration, MicroEnsure decided to shift the orientation of its labs. Whereas they had originally been established as a separate initiative leading innovation, MicroEnsure decided to now position the labs as a function that serves the core business. The core business units propose problems or opportunities and invite a country lab to support them in an innovation process in response. As a result, the labs' projects are a high priority for core business teams, since they are designed to solve problems that are impacting on the ability of a department to meet its KPIs.

The labs continue with the same flexibility and innovation methods that have allowed them to design innovative solutions to date. But MicroEnsure hopes that their new orientation will help ensure that the labs create the innovative solutions most urgently needed by the company, and that the full force of the company is put behind bringing those solutions to scale. This change is still in its early days and MicroEnsure will monitor its impact and continue to experiment with how to most effectively innovate as a company.



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