Gartner for IT Executives

2022 CIO and Technology Executive Agenda: An Insurance Perspective

Kimberly Harris-Ferrante
Distinguished VP Analyst

Continuous market change requires longer vision and greater agility than ever for insurance CIOs. The 2022 Gartner CIO and Technology Executive Survey shows that mastering business composability prepares CIOs to maximize business value, regardless of ongoing uncertainty.

Kimberly Harris-Ferrante
Distinguished VP Analyst

Published 10 November 2021 — ID G00757770

Overview

Key findings

- Current and future projected industry disruption make it imperative that P&C and life insurers adopt business composability in order to respond to volatile conditions and win in the future. On average, companies with high business composability report higher overall business performance.
- Business composability is a relatively new concept in insurance, with only 8% of CIOs reporting having in place enterprise strategies for the three elements: composable thinking, composable business architecture and composable technologies. On average, the industry is moderate across all three, especially technologies and thinking.
- Insurers are not investing in the technical underpinning needed for business composability, with their IT budget lagging in many regards. While they are increasing their investments in many technologies, some — such as AI and distributed cloud — are lagging.

Recommendations

CIOs responsible for financial services digital business strategy and innovation should:

- Create a multidisciplinary team to build your business composability strategy, including business, architecture, data, customer, digital and technology, and map it against digital strategies.
- Evaluate current-day capabilities for business composability in all three areas — composable thinking, composable business architecture and composable technologies — against the lists in this document, then document gaps and risks when compared to digital strategy aspirations and roadmap.
- Identify key technical components needed to enable business composability, such as emerging technologies for CX, ecosystem integration and product innovation. Build the business case for funding these investments, highlighting opportunities and risks that would differentiate or jeopardize competitive positioning in the future.

Survey Objective

The 2022 Gartner CIO and Technology Executive Survey was conducted to inform CIOs and other technology executives on how composability can improve business performance during times of volatility.

Data Insights

We are living through a time of great uncertainty and volatility. Forces such as COVID-19, civil unrest, climate change and the shifting economy have made it more difficult for enterprises to plan their next move. Insurers are faced with having to rethink product design to fit new lifestyle and unmet consumer needs, transform customer engagement, empower stronger ecosystems and build new value propositions to drive greater customer outcomes. To do that, they must adopt new business and technology approaches such as the four critical factors for success (see Four Key Capabilities for Insurers, 2022 and Beyond):

- Enhanced customer experience (CX)
- Hyperautomation
- Enterprise intelligence
- Targeted innovation

The 2022 Gartner CIO and Technology Executive Survey shows that mastering business composability makes CIOs and other technology executives better prepared to maximize business value delivery during and after periods of volatility and beyond.

Composable business derives from a combination of mindset, practices and tools that enable enterprises to sense and respond to changing business conditions.

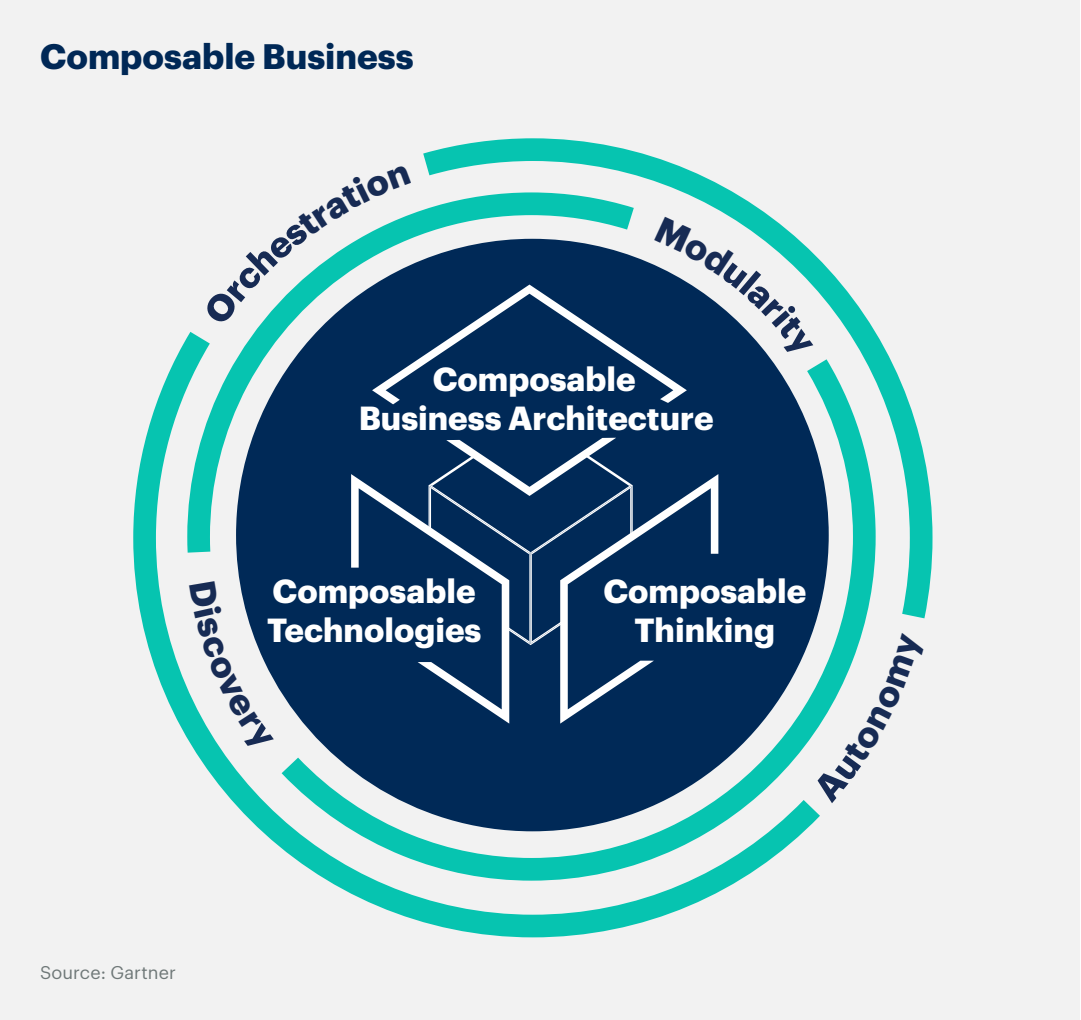
Section 1: What Is Business Composability?

A composable digital business applies the core principles of composability (modularity, autonomy, orchestration and discovery) to the foundations of its business architecture (the business model, enterprise operations and strategy) to master the risk of change and reach untapped business value.

The three components of composable business, as shown in Figure 1, are:

- **Composable thinking —** A mindset to guide business change in the face of opportunity and uncertainty
- **Composable business architecture —** A blueprint of the business to manage the pace of business change
- **Composable technologies —** The resources to digitalize the business

Figure 1. What Is Business Composability?



Source: Gartner

Section 2: Why Business Composability Matters to Insurers

Recent industry and market trends make it more imperative than ever that P&C and life insurance CIOs create agile and flexible organizations. The environment in which they operate is changing at a faster pace than the industry has ever experienced, with many changes accelerated due to the pandemic.

Consumers are more digital than ever, expecting omnichannel interactions and faster transaction processing (see Top 3 Customer Experience Trends for Digital Insurance 2022). Digital use rose steadily in the past year, requiring greater digital capabilities across all lines of insurance.

Product demands have shifted as consumer lifestyles have evolved — for example, changes in mobility such as:

- Reduced driving due to work from home and hybrid work
- The shift to alternative modes of transportation other than automobiles

Shifts in consumer finance have resulted in new spending habits, adjustments in financial planning and the need to save money (including the growing focus on usage-based insurance products). Innovative insurers are:

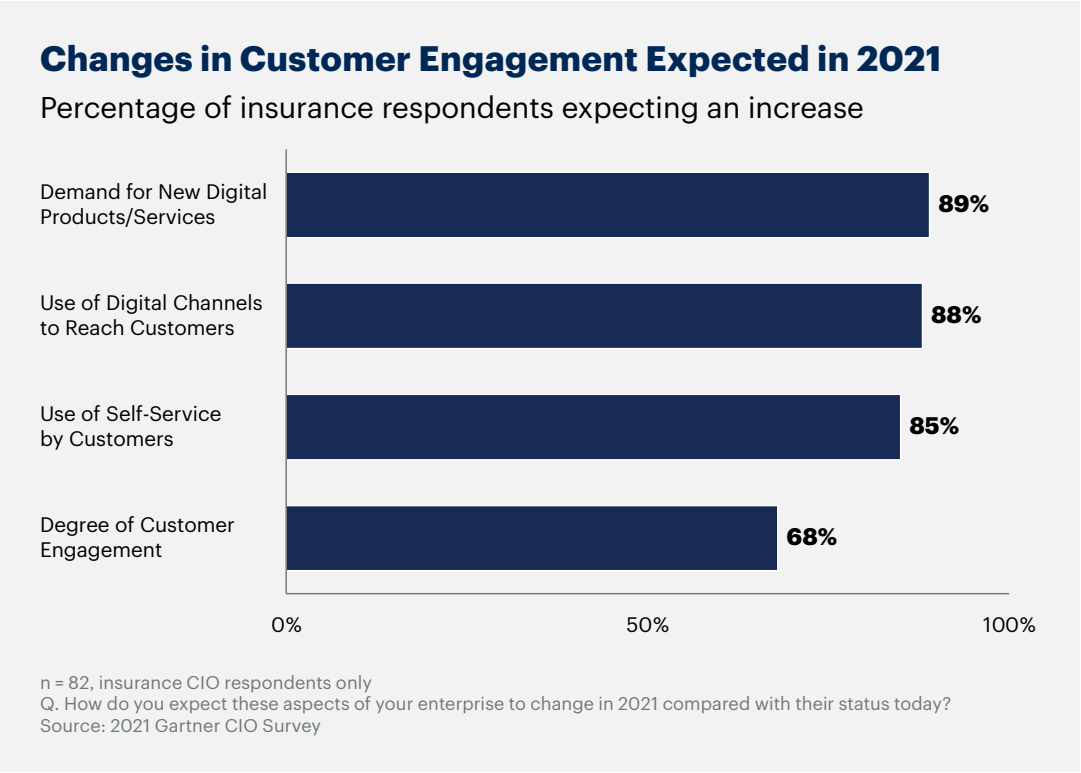
- Changing their business proposition — e.g., building out new value-added products/services with ecosystem partners
- Transforming their business — e.g., building out prevention services using dynamic customer engagement and IoT technologies (see Insurers Must Implement Dynamic Customer Engagement to Solve the Customer Experience Dilemma)

Insurers must find new ways to support their business, including:

- **Tactical needs** like further cost optimization
- **Operational needs** such as hyperautomation
- **Strategic initiatives** around embedded or invisible insurance

They must be more open, transparent, real-time and flexible as they prepare for future industry demands — and most insurance IT leaders expect that demands will grow in the future. In last year's Gartner CIO Survey, conducted in 2020, CIOs expected greater CX demands in the coming year including demand for new digital products/services, use of digital channels to reach customers, use of self-service by customers, and the degree of customer engagement (see Figure 2).

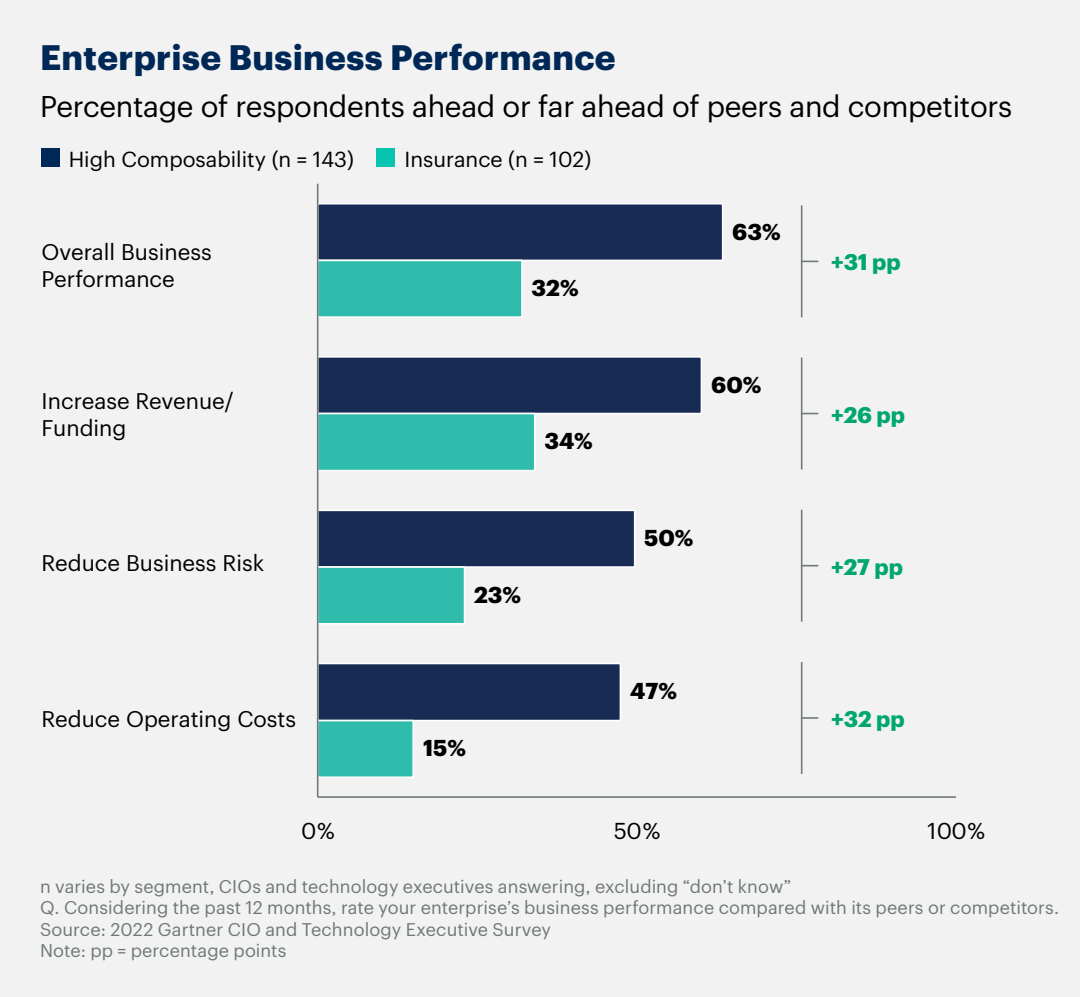
Figure 2. Innovation Must Keep Up With Shifting Market Demands



In this year's CIO and Technology Executive Survey, we find that business composability can help P&C and life insurers respond to these shifts in a timely fashion and win in the insurance market. Gartner has found that business composability increases the likelihood of improved business outcomes compared to peers that lack this competency. At times of changes, business composability is a great tool to leverage, and one that is powerful in better positioning the winners in highly competitive markets (see Becoming Composable: A Gartner Trend Insight Report).

This will be a challenge for most insurance companies, which continue to be risk averse. For the 2020 Gartner Innovation in Crisis Study, only 25% of insurance respondents identified as risk seeking (see Insurance CIOs: Risk Appetite and Strategy Can Mean Higher Returns). Until insurers adjust their culture to better approach risk, this will be a daunting journey. Just reinforcing stability in a turbulent world is a losing strategy. Being prepared for change is a strategic imperative in turbulent times, enabling both proactive and reactive behavior. Organizations will benefit from mastering change to the degree that allows them to initiate it in pursuit of an opportunity, not just stand by until external events impose the need to change. Taking risks and building business composability can help enterprises maintain and improve business performance (see Figure 3).

Figure 3. High Business Composability Delivers Superior Business Performance, Even in Times of Volatility

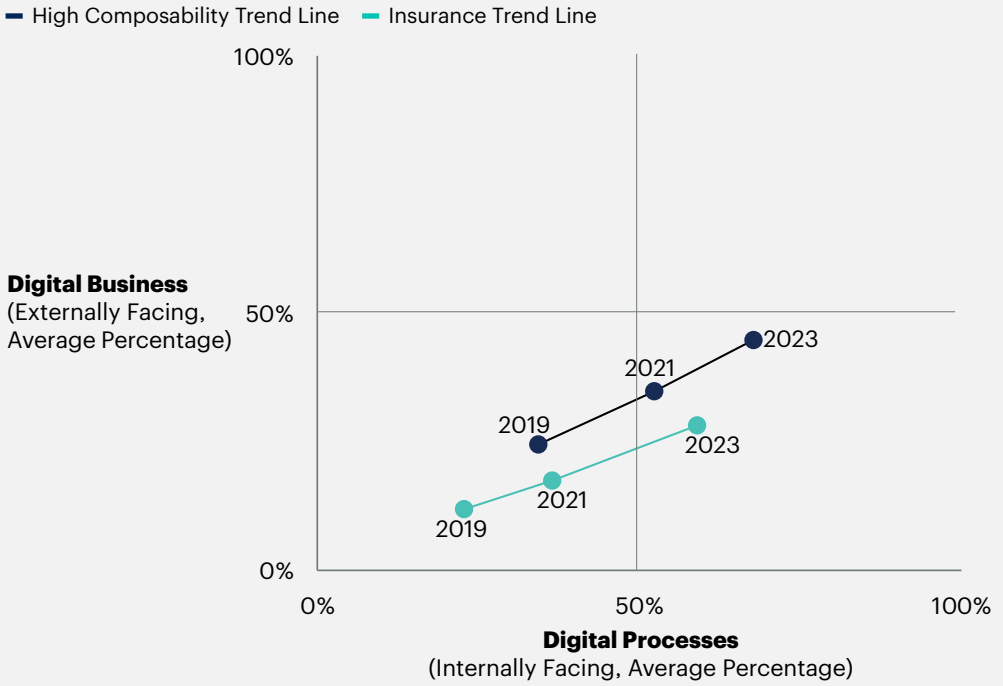


n varies by segment, CIOs and technology executives answering, excluding "don't know"
Q. Considering the past 12 months, rate your enterprise's business performance compared with its peers or competitors.
Source: 2022 Gartner CIO and Technology Executive Survey
Note: pp = percentage points

The 2022 Gartner CIO and Technology Executive Survey found that, overall, organizations that have taken a composable approach to change are the ones most likely to succeed across reducing operating costs, managing business risk and increasing revenue, as well as in overall business performance. Insurers, however, report far lower levels of business composability. This topic is new to most insurers and they currently lack these capabilities, reporting lower business performance, revenue/funding, ability to reduce business risks and operating costs than highly composable businesses.

Highly composable businesses also report enhanced digital business progress in general, especially when compared to insurance organizations (see Figure 4).

Figure 4. Highly Composable Enterprises Have, and Expect, High Digital Progress



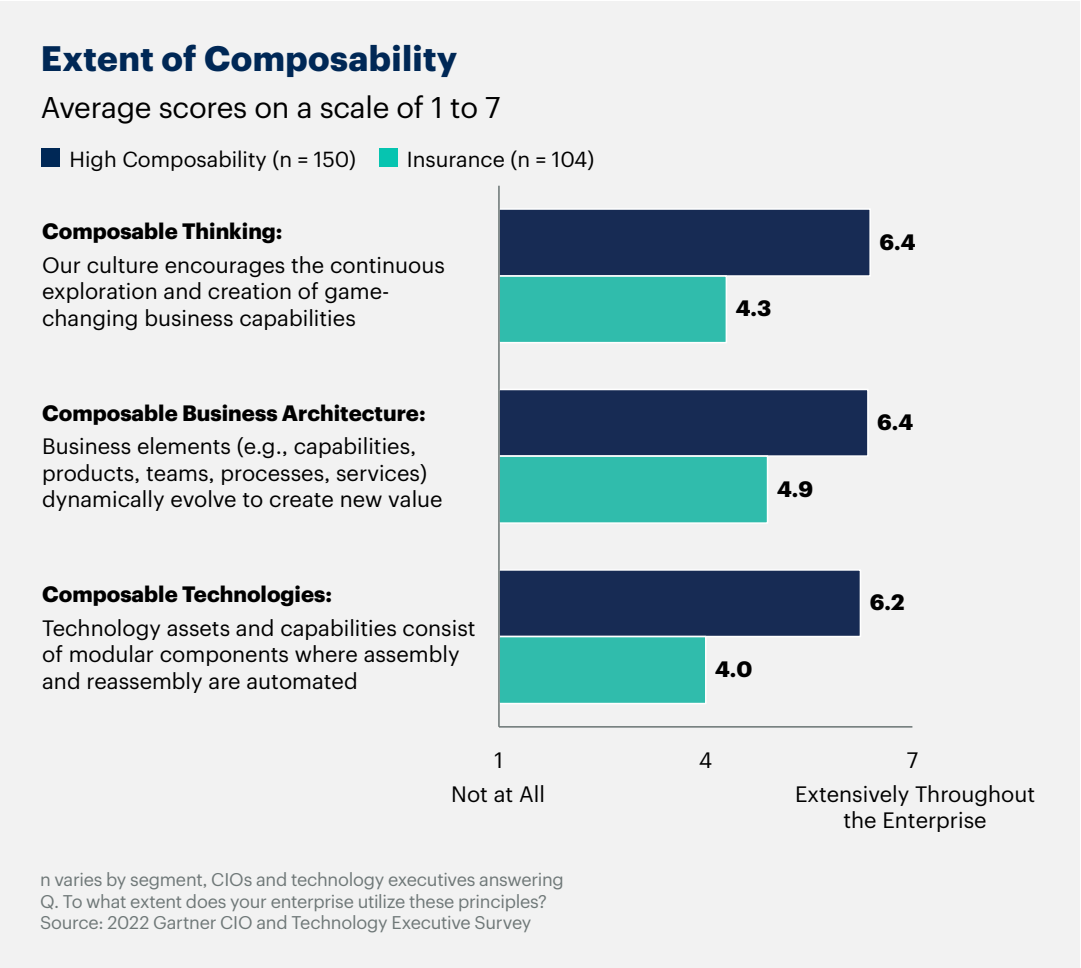
n = ~126 (high composability), ~ 82 (insurance) CIOs and technology executives answering, excluding "don't know"
x-axis: Q. What percentage of your enterprise's processes have been optimized (made more efficient) through digital means?
y-axis: Q. What percentage of your organization's total revenue would you attribute (or expect) as digital sales revenue?

The 2021 Gartner CIO Survey found that insurers are behind on digital execution, especially regarding the use of digital channels to generate digital revenue, and the use of digital for external processes. But this year's survey really shows the severity of this lag, as highly composable businesses are moving at a faster pace than insurers toward a more robust digital model.

Section 3: Business Composability Revealed

In order to define a cohort of highly composable respondents, respondents were asked to indicate the extent to which their enterprise utilizes the three principles of business composability — thinking, business architecture and technologies. Organizations that practice all three attributes widely or extensively throughout the enterprise were categorized as "high composability." (see Figure 5). Insurers, comparatively, are less likely to utilize these principles, especially the practice of composable technologies.

Figure 5. Composable Enterprises Utilize Three Principles



n varies by segment, CIOs and technology executives answering
Q. To what extent does your enterprise utilize these principles?
Source: 2022 Gartner CIO and Technology Executive Survey

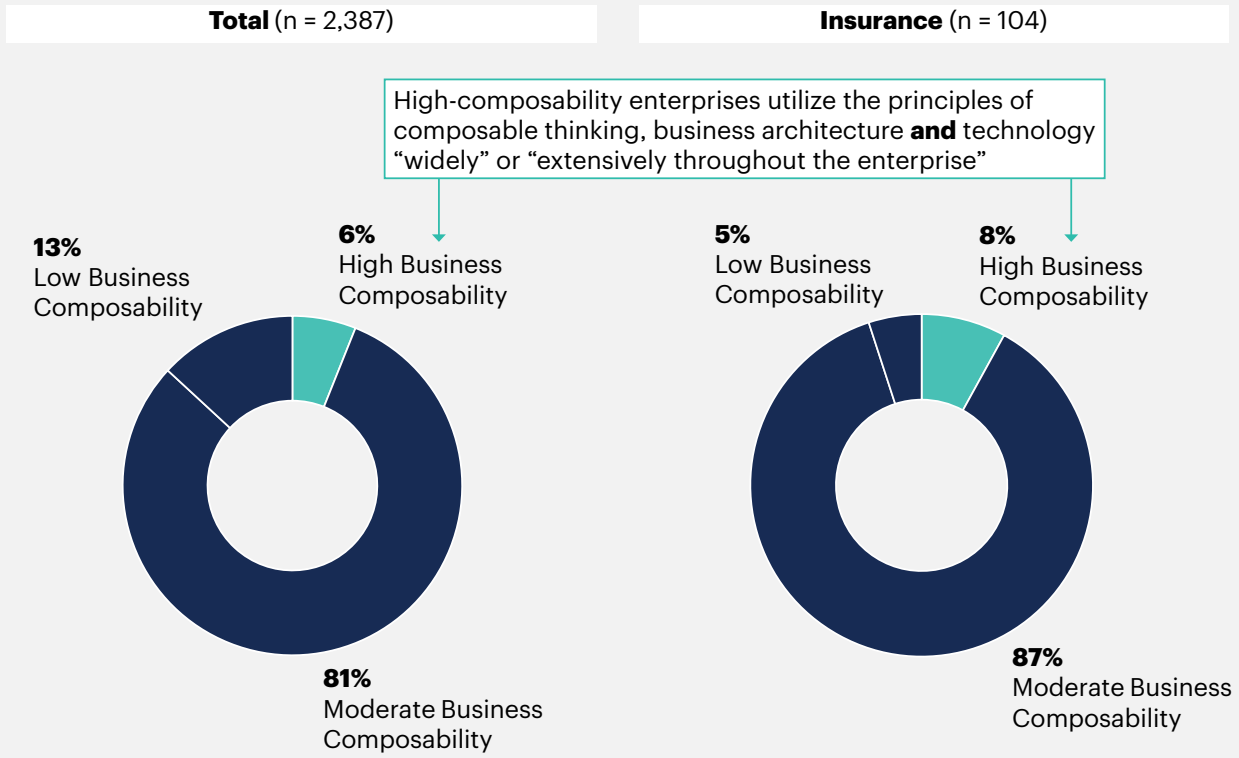
Insurance respondents were moderate (4.0 to 4.9 on a 7-point scale) on average for composable thinking, business architecture and technologies.

However, the study did find that while composability is a new concept among insurers, already 8% of CIOs report having implemented key components of the three elements, making them highly composable (see Figure 6).

Figure 6. The High-Composability Cohort Is Emergent

Distribution of Survey Respondents Into Business Composability Groups

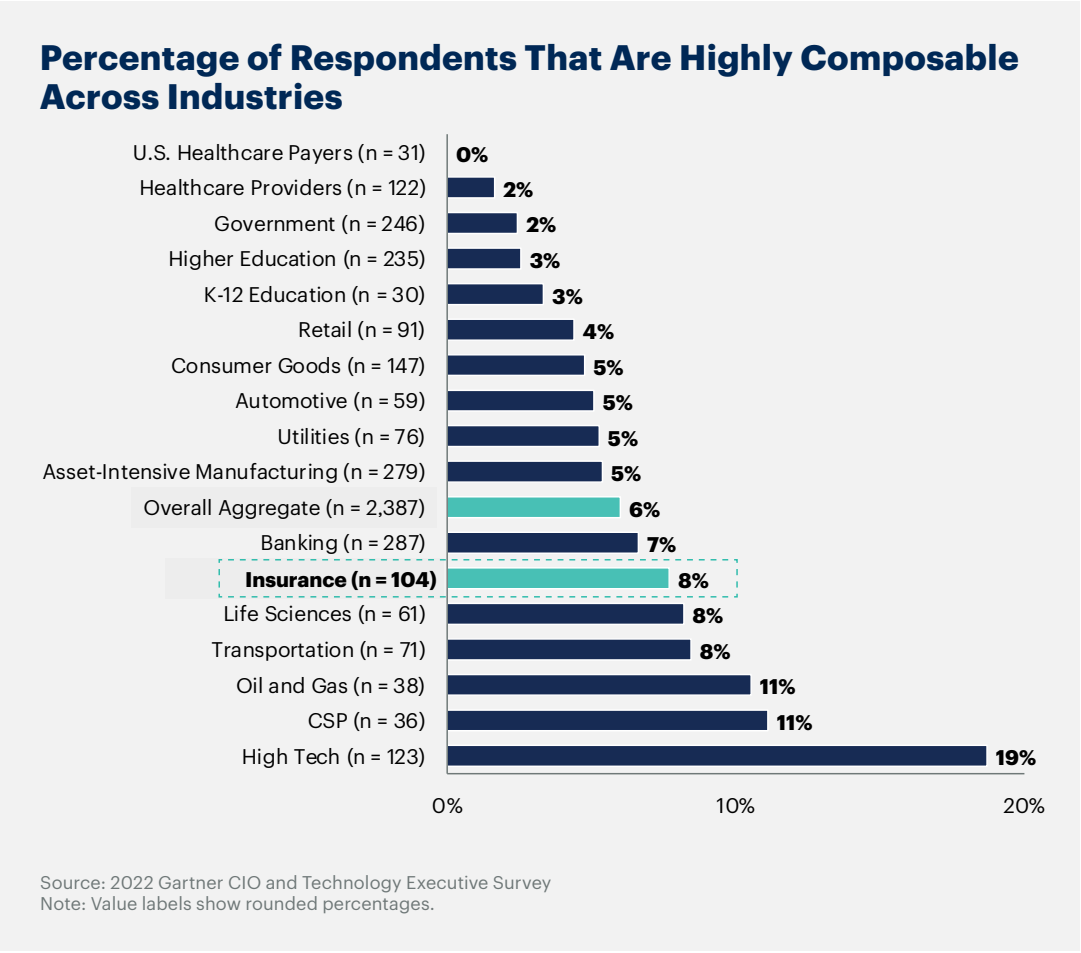
Percentage of respondents



n varies by segment, CIOs and technology executives answering
Q. To what extent does your enterprise utilize these principles?
Source: 2022 Gartner CIO and Technology Executive Survey

Insurance isn't alone: Business composability as a concept is new to most companies across all major industries, many of which report low maturity (see Figure 7).

Figure 7. High Composability Ranges Widely by Industry



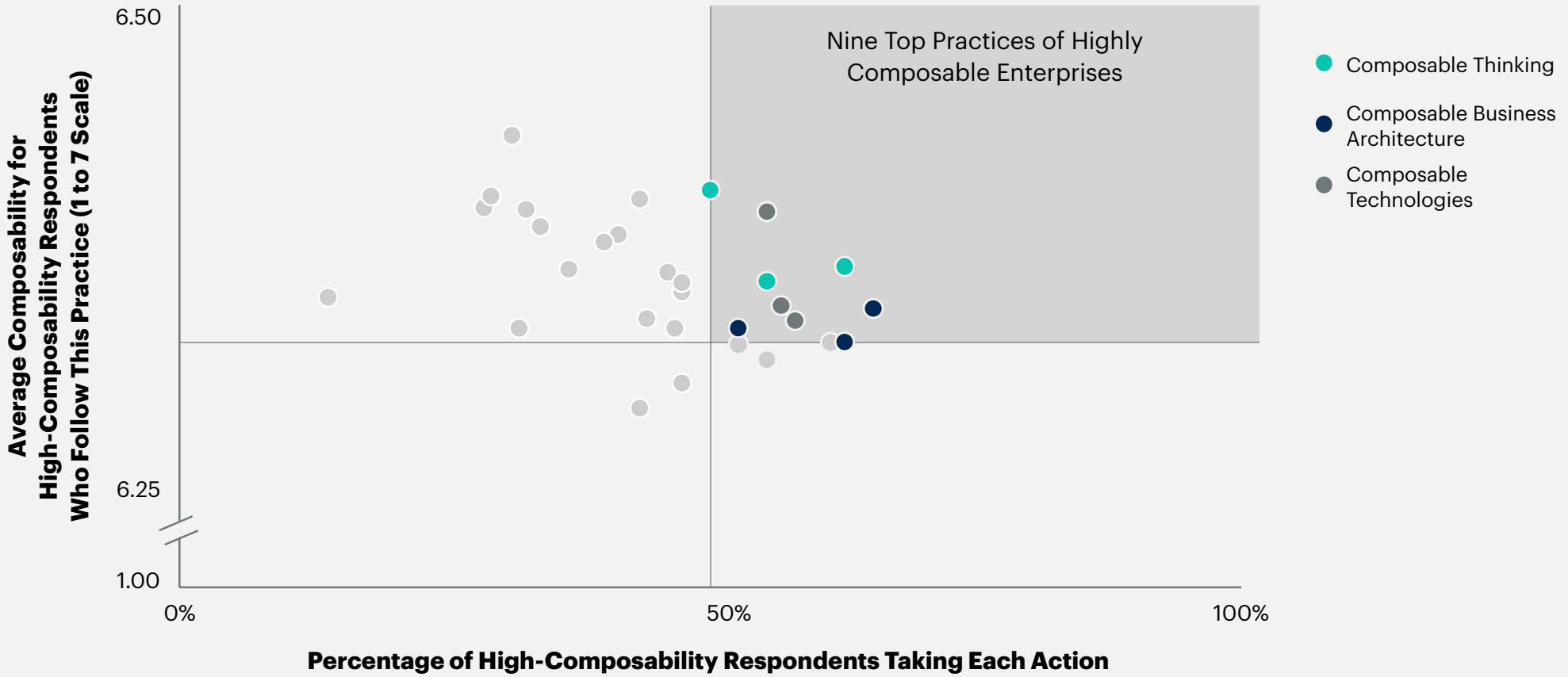
Source: 2022 Gartner CIO and Technology Executive Survey
Note: Value labels show rounded percentages.

Insurers are services companies, which historically demand different technological approaches to fulfill their products than other consumer-facing or product-based industries. Insurers have had to work with external partners such as insurance agents and distribution partners. And they have faced legacy systems issues where they have had to leverage using web services in the past, and more recently APIs and microservices. Many of these issues are not new to the industry and have been long-standing pressures for midsize and large insurers, especially in day-to-day operational challenges.

Section 4: Composable Enterprises Follow Key Practices

The 2022 CIO and Technology Executive Survey began with the hypothesis that composable organizations are better able to survive and thrive during times of volatility. The survey tested 30 practices over the domains of composable thinking, business architecture and technologies to discover which practices highly composable organizations were most likely to use (see Figure 8).

Figure 8. Nine Practices Distinguish Highly Composable Enterprises

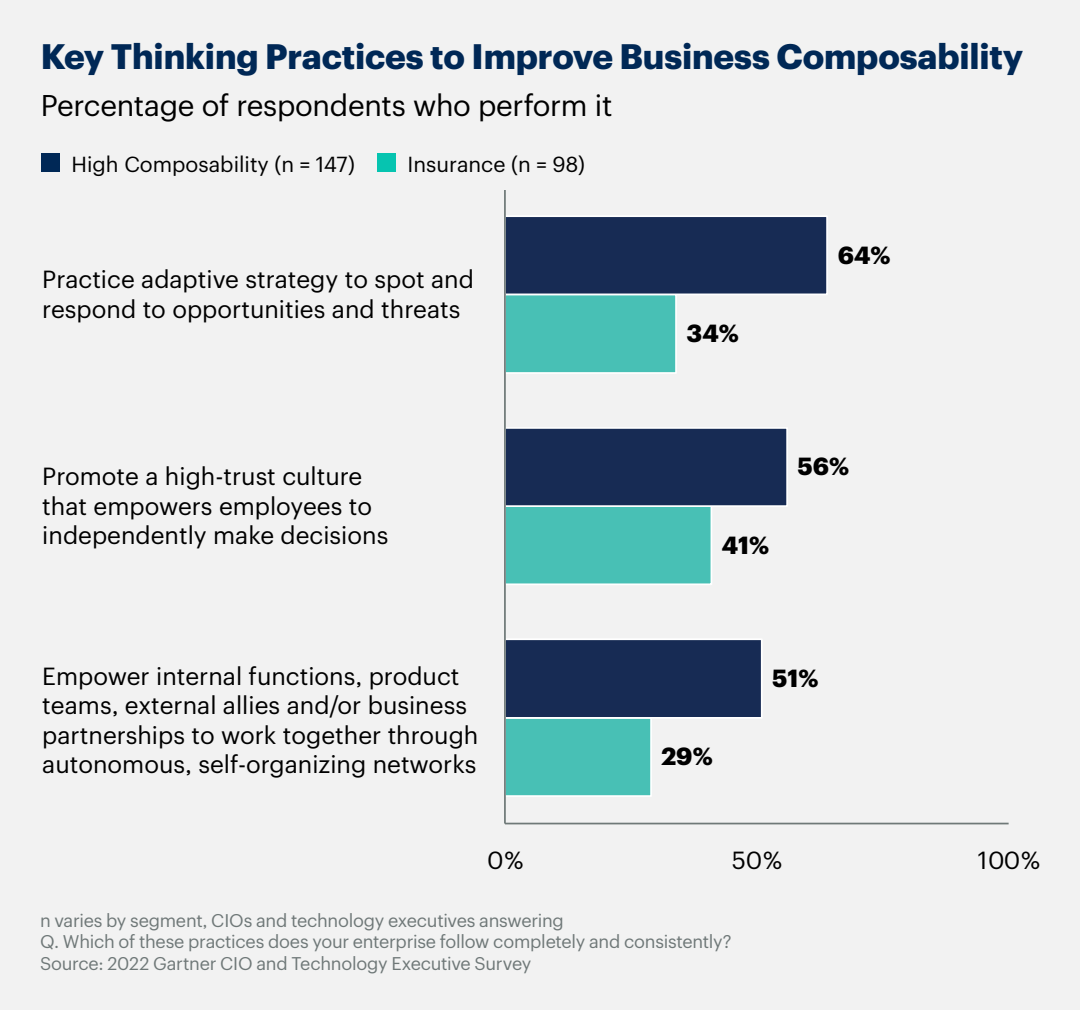


n = 148 CIOs and technology executives from highly composable enterprises answering
Q: Which of these practices does your enterprise follow completely and consistently? Multiple responses allowed.
Source: 2022 Gartner CIO and Technology Executive Survey

Taking a more detailed look at the nine top practices, we can break them down into the top three for each composable business domain. Starting with composable thinking in Figure 9, highly composable organizations were more likely to:

- Practice adaptive strategy to spot and respond to opportunities and threats.
- Promote a high-trust culture that empowers employees to independently make decisions.
- Empower internal functions, product teams, external allies and business partners to work together through autonomous, self-organizing networks.

Figure 9. Key Composable Thinking Practices

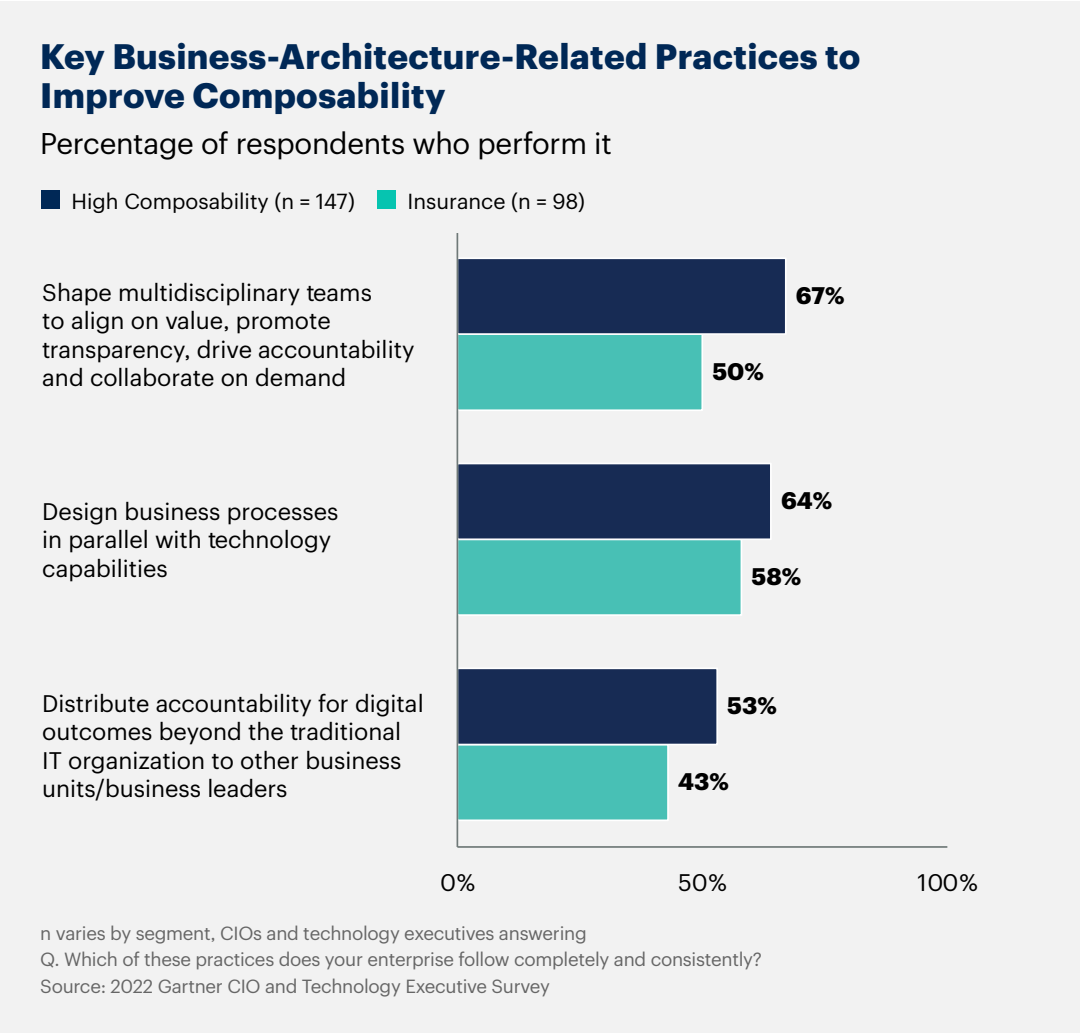


n varies by segment, CIOs and technology executives answering
Q. Which of these practices does your enterprise follow completely and consistently?
Source: 2022 Gartner CIO and Technology Executive Survey

On average, few insurance CIOs reported performing the key aspects of business composability thinking. The highest one — which was only 41% — was promoting a high-trust culture that empowers employees to independently make decisions. Slightly over one-third cited practicing adaptive strategy to spot and respond to opportunities and threats. The gaps between insurance firms and highly composable enterprises most likely correlate with the overall traditional nature of strategy development among the industry, whose top-down structure and low-risk mentality result in a very rigid approach to strategy development.

The second attribute of business composability is business architecture. Insurance CIOs reported, on average, much lower adoption of these practices than companies that are highly business composable (see Figure 10).

Figure 10. Key Composable Business Architecture Practices



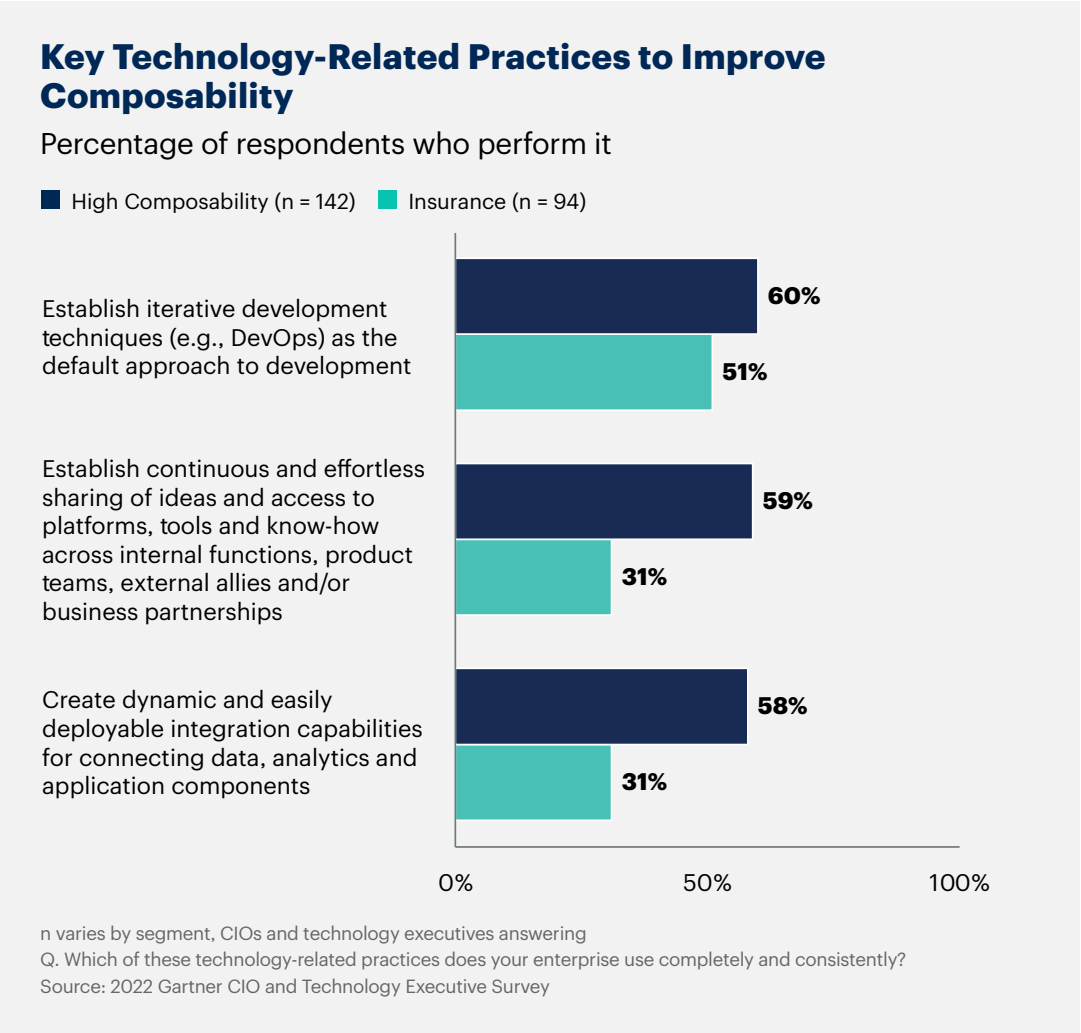
Composable business architecture practices most likely to be utilized in highly composable firms include:

- Shaping multidisciplinary teams to align on value, promote transparency, drive accountability and collaborate on demand
- Designing business processes in parallel with technology capabilities
- Distributing accountability for digital outcomes beyond the IT organization to other business units and leaders

Overall, insurance CIOs reported more capabilities in the business architecture than the business thinking portion of the business composability scale. Approximately 58% of respondents said that they had design business processes in parallel with technology capabilities, and 50% said that they shape multidisciplinary teams to align on value, promote transparency, drive accountability and collaborate on demand. The gap between insurers overall and the average for highly composable companies for these domains were minimal, showing strength across the insurance industry on these aspects (see Quick Answer: What Is Composable Business Architecture?). Insurers must add composable architecture concepts to their existing architectural plans for improved business performance and digital success, including the concepts of how to balance machine augmentation and shifting data assets.

On the third composability aspect — composable technologies — insurance CIOs reported greater gaps on average when compared against highly composable organizations (see Figure 11). This is likely due to the technical environment of insurers, which is plagued by large numbers of legacy systems, staffing limitations, the history of app development over buying packages, and redundancies that exist especially for large Tier 1 organizations.

Figure 11. Key Composable Technology Practices



The final three practices are in the domain of composable technologies. Highly composable enterprises practice:

- Implementing iterative development techniques as the default approach
- Establishing continuous and effortless sharing of ideas and access to platforms and tools across internal functions, product teams, external allies and business partners
- Creating dynamic and easily deployable integration capabilities for connecting data, analytics and application components

While over half of insurance respondents indicated that they had established iterative development techniques (for example, Dev Ops) as the default approach to development, few had:

- Established continuous and effortless sharing of ideas and access to platforms, tools and know-how across internal functions, product teams, external allies and/or business partnerships
- Created dynamic deployment integration capabilities for connecting data, analytics and application components

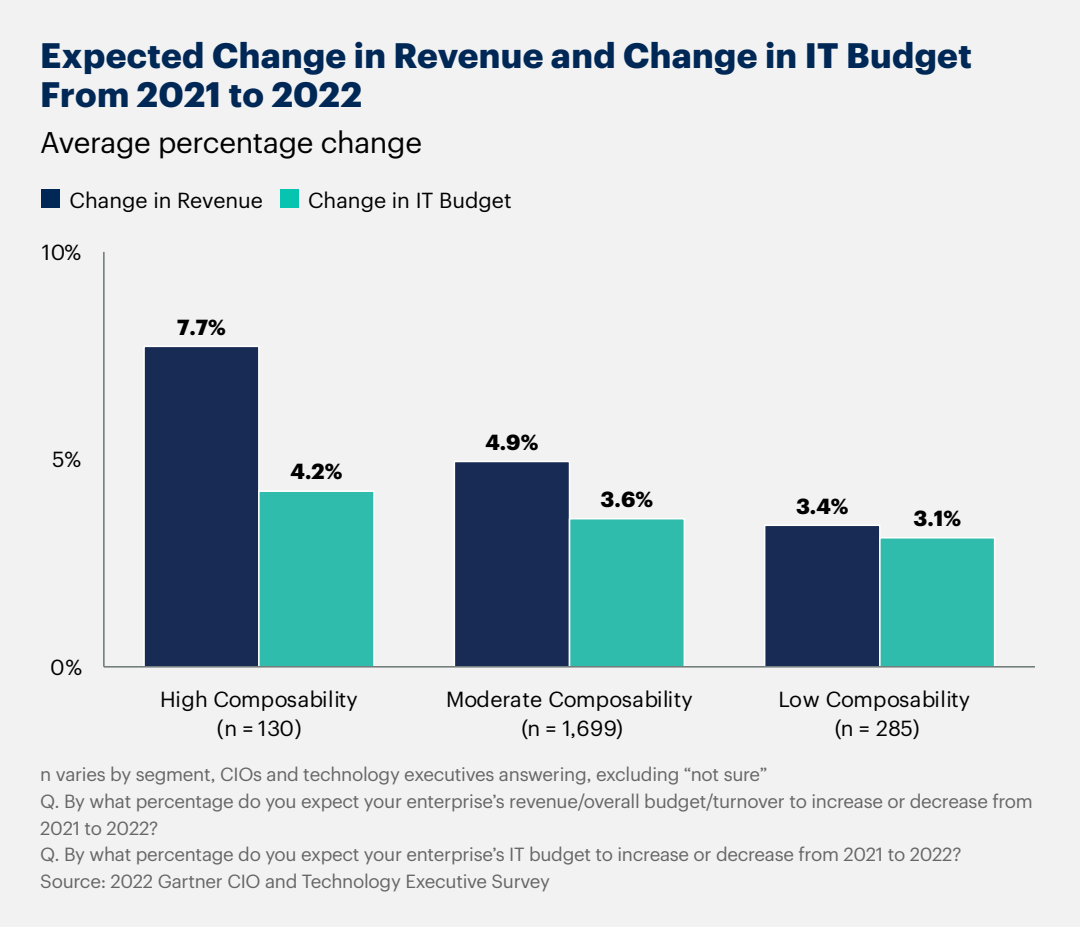
These gaps will present challenges for most organizations as they execute strategic ecosystem partnerships and new business models (such as embedded insurance), or attempt to fulfill new data initiatives (such as building enterprise intelligence). Organizations not building out composable technologies will find themselves unable to respond to business needs — or simply not respond in a timely fashion — putting the organization at risk to not comply with regulations, miss a market opportunity or take too long to respond to a market change. This will put a negative lens on IT overall, as it will be unable to keep up with the business demands.

Section 5: 2022 Spending Plans and Technology Trends

As highly composable organizations plan for 2022, there is a significant difference in their IT budget as well as their expected change in revenue, compared to organizations that demonstrate moderate or low composability. Figure 12 shows that highly composable firms, on average, expect a 7.7% increase in revenue in 2022, while they are planning a 4.2% increase in IT budget.

So, how do highly composable enterprises operate — in thinking, business architecture and technologies — differently than insurers when it comes to near-term plans for revenue and budget spending in 2022? Figure 13 shows that insurance respondents are projecting lower revenue change (5.1%) and IT budget (2.7%) comparatively. Read on, though, to understand why similar increases in budget does not mean that institutions and banks will reap the same returns as these highly composable organizations.

Figure 12. High-Composability Enterprises Increase Revenue/Budget Faster and Leverage IT Better

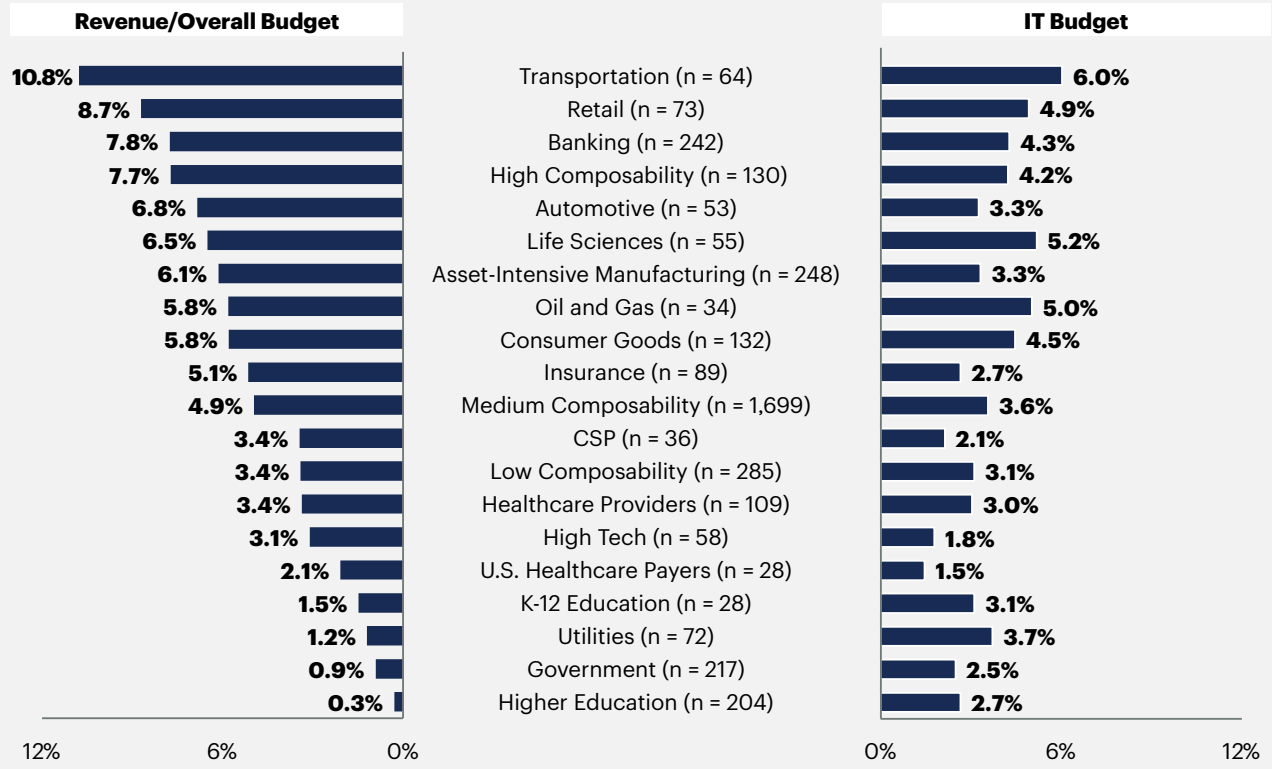


n varies by segment, CIOs and technology executives answering, excluding "not sure"
Q. By what percentage do you expect your enterprise's revenue/overall budget/turnover to increase or decrease from 2021 to 2022?
Q. By what percentage do you expect your enterprise's IT budget to increase or decrease from 2021 to 2022?
Source: 2022 Gartner CIO and Technology Executive Survey

Figure 13. Budget Changes for 2022 Will Vary Widely by Industry

Expected Change in Revenue and Change in IT Budget From 2021 to 2022

Average percentage change

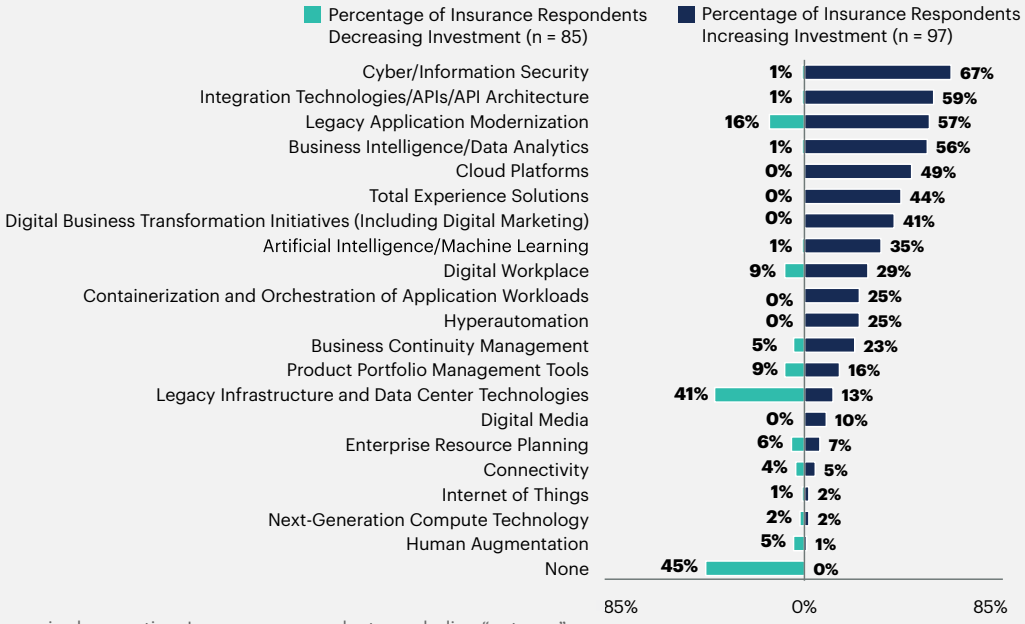


n = varies by segment, CIOs and technology executives answering, excluding "not sure"
Q. By what percentage do you expect your enterprise's revenue/overall budget/turnover to increase or decrease from 2021 to 2022?
Source: 2022 Gartner CIO and Technology Executive Survey

Insurance CIOs should look closely at their IT spending to make sure they are preparing for future market needs and not falling behind.

Insurance CIOs will need to make the business case better for increasing their investment in the IT organization — strategy- and technology-wise — to be able to respond to the market changes and disruption ahead. They should illustrate the role that IT plays in achieving business composability and the risks if composable technologies are not in place. Ensuring proper investment in IT and the technologies needed to support business composability is essential (see Figure 14).

Figure 14. Enterprises Will Rebalance Their Technology Portfolios



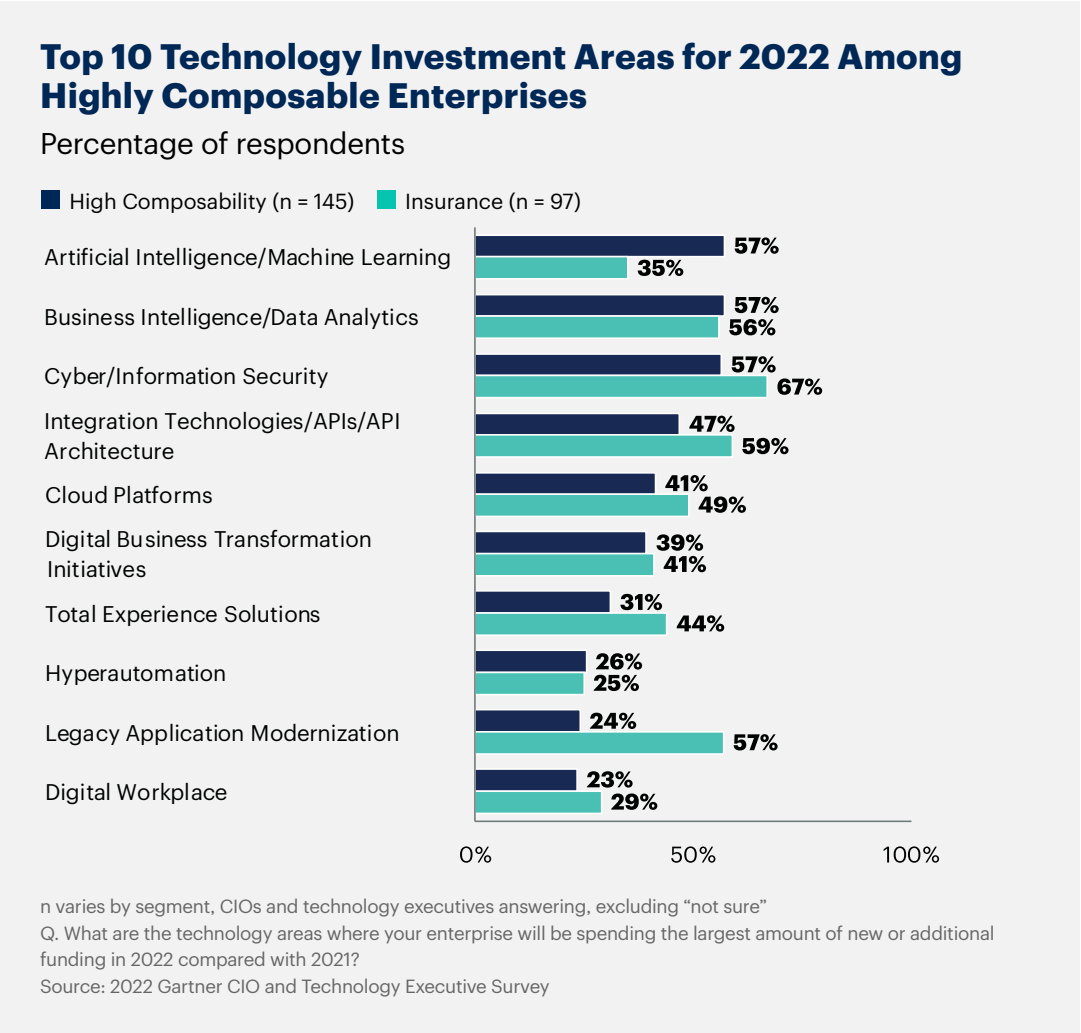
n varies by question, Insurance respondents, excluding "not sure"
Q. What are the technology areas where your enterprise will be spending the largest amount of new or additional funding in 2022 compared
with 2021?
Q. What are the technology areas where your enterprise will be reducing funding by the highest amount in 2022 compared with 2021?
Source: 2022 Gartner CIO and Technology Executive Survey

The CIO and Technology Executive Survey found that while insurers are reporting significant increases in many technologies across the board, they are not always the ones which best align with business composability. For instance, the top increases in investments for 2022 were cyber/information security. This is mission-critical — of course — but is fundamental for safe operations, not necessarily growth or sustainable operations. The study did find that insurers are addressing the gaps which they have in IT especially around integration technologies/APIs and API architecture.

Many insurance respondents reported increasing their investment in many foundational areas for 2022, signaling that they were on the road to support business composability better than their peers (see Figure 15). However, many CIOs still struggle with legacy application modernization, which will take significant investments away from strategic imperatives such as business composability short-term until these challenges — such as componentizing monolithic systems or replacing aged systems with ones that fit today's business environment — are overcome.

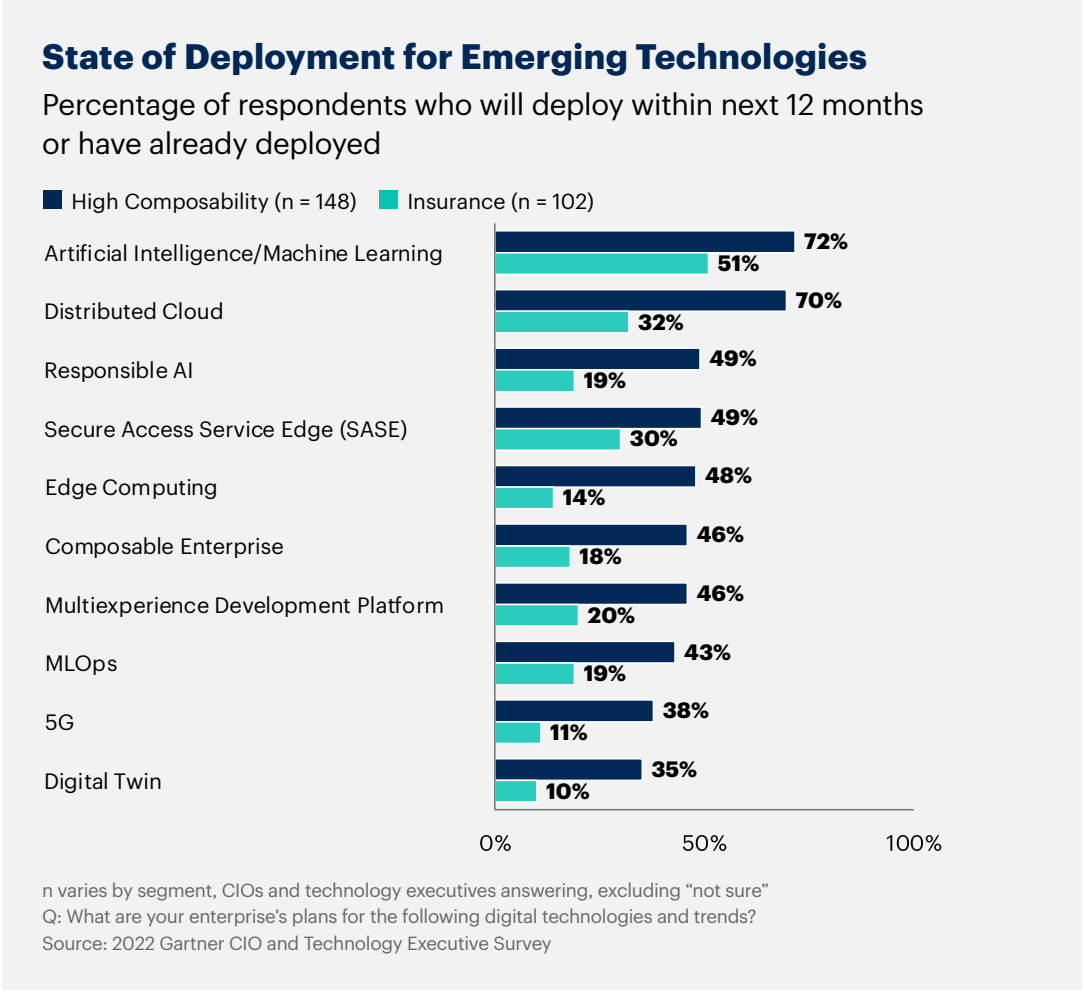
In regard to emerging technologies, insurance CIOs report many drastic gaps in their use compared to highly composable organizations overall (see Figure 16).

Figure 15. High-Composability Enterprises' 2022 Investment Priorities



n varies by segment, CIOs and technology executives answering, excluding "not sure"
Q. What are the technology areas where your enterprise will be spending the largest amount of new or additional funding in 2022 compared with 2021?
Source: 2022 Gartner CIO and Technology Executive Survey

Figure 16. Composable Enterprises' 2022 Activities Around Emerging Technologies



n varies by segment, CIOs and technology executives answering, excluding "not sure"
Q: What are your enterprise's plans for the following digital technologies and trends?
Source: 2022 Gartner CIO and Technology Executive Survey

The survey found that a significantly lower percentage of insurers are using all emerging technology — including AI/ML, distributed cloud and responsible AI — than highly composable organizations. This is likely aligned to the risk adversity overall across the industry. In many aspects, insurers are not early adopters of emerging technology and lag other industries in their adoption.

As business composability becomes more well known in the industry, insurers will speed their investments in building out all three capabilities. Early adopters will see great benefit, finding better responsiveness to changing industry conditions and first-mover advantages, such as launching new products to meet market demands or enabling new CX that answers emerging needs. Insurance CIOs must build awareness of these strategies quickly to help educate the enterprise and build strategies for business composability, which can help drive digital maturity and market success.

Actionable, objective insight

Explore these additional complimentary resources and tools for CIOs and other senior technology executives:

eBook

How Financial Services CIOs Can Build Leaders' Digital Dexterity

Learn how to build digital dexterity across your organization.

Download eBook

Webinar

The 2022 Top 12 Strategic Technology Trends for Banking

Discover the trends that will have the biggest impact on your organization.

Watch Now

eBook

Top Strategic Technology Trends for 2022

Explore the 12 trends shaping the future of digital business.

Download eBook

Resource Hub

CIO Insights & Tools

Drive stronger performance on your most critical priorities.

Learn More

Already a client?
Get access to even more resources in your client portal. Log In

Get More.

Get actionable, objective insight to deliver on your most critical priorities. Our expert guidance and tools enable faster, smarter decisions and stronger performance. Contact us to become a client:

U.S.: 1 855 811 7593

International: +44 (0) 3330 607 044

Become a Client

Learn more about Gartner for IT Executives

gartner.com/en/information-technology

Stay connected to the latest insights

© 2022 Gartner, Inc. and/or its affiliates. All rights reserved. Gartner is a registered trademark of Gartner, Inc. and its affiliates. This publication may not be reproduced or distributed in any form without Gartner's prior written permission. It consists of the opinions of Gartner's research organization, which should not be construed as statements of fact. While the information contained in this publication has been obtained from sources believed to be reliable, Gartner disclaims all warranties as to the accuracy, completeness or adequacy of such information. Although Gartner research may address legal and financial issues, Gartner does not provide legal or investment advice and its research should not be construed or used as such. Your access and use of this publication are governed by Gartner's Usage Policy. Gartner prides itself on its reputation for independence and objectivity. Its research is produced independently by its research organization without input or influence from any third party. For further information, see "Guiding Principles on Independence and Objectivity." CM_GTS_1638750

Gartner®