



Navigating the crisis – How Debeka managed the all  
overshadowing Covid-19 pandemic and how to implement agile  
methods in a post-crisis era

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## Abstract:

**Title:** Navigating the crisis – How Debeka managed the all overshadowing Covid-19 pandemic and how to implement agile methods in a post-crisis era

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**Keywords:** Competitive Advantage; Dynamic capabilities; Strategy; Crisis; Covid-19; Insurance; Agile Methods; Scrum

The Covid-19 pandemic brought about a significant level of uncertainty, and many companies were forced to rethink their operations. The familiar was suddenly out of date overnight. The insurance industry was also facing change.

Internal company insights during this time were gathered through interviews with those directly involved. The Debeka employees interviewed are Mr. Markus Bär (Head of the Human Resources Department) and Mr. Henry Müller (Member of a Crisis Emergency Team and a New Work workforce). Both were directly involved in the prophylactic and acute crisis decision-making processes.

The purpose of this thesis is to provide a pedagogical case study that offers insights into how an established insurance company can navigate a severe and unexpected crisis such as the Covid-19 pandemic. The case study examines both the analysis of internal and external resources and explores the use of agile methods to maintain the company's competitiveness and resilience in the face of a threat. For this purpose, the reader will assume the role of an external consultant who will provide post-pandemic support to Debeka.

The thesis begins by laying out theoretical foundations to help the reader contextualize the case. It concludes with a teaching note in which the author works on the case and offers an exemplary solution.

Resumo:

**Título:** Navegar na crise - Como a Debeka geriu a pandemia de Covid-19 e como implementar métodos ágeis numa era pós-crise

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**Palavras-chave:** Vantagem Competitiva (Competitive Advantage); Capacidades Dinâmicas (Dynamic capabilities); Estratégia (Strategy); Crise (Crisis); Covid-19; Seguros (Insurance); Métodos ágeis (Agile Methods); Scrum

A pandemia de Covid-19 trouxe um nível significativo de incerteza e muitas empresas foram forçadas a repensar as suas operações. De um dia para o outro, o que era familiar ficou desactualizado. O sector dos seguros também estava a enfrentar mudanças.

As percepções internas da empresa durante este período foram recolhidas através de entrevistas com as pessoas directamente envolvidas. Os funcionários da Debeka entrevistados são Markus Bär (Chefe do Departamento de Recursos Humanos) e Henry Müller (Membro de uma Equipa de Emergência de Crise e de uma Nova Força de Trabalho). Ambos estiveram directamente envolvidos nos processos de decisão profilácticos e de crise aguda.

O objectivo desta tese é fornecer um estudo de caso pedagógico que ofereça uma visão sobre como uma companhia de seguros estabelecida pode navegar numa crise grave e inesperada como a pandemia de Covid-19. O estudo de caso examina a análise dos recursos internos e externos e explora a utilização de métodos ágeis para manter a competitividade e a resiliência da empresa face a uma ameaça. Para o efeito, o leitor assumirá o papel de um consultor externo que prestará apoio pós-pandémico à Debeka.

A tese começa por apresentar fundamentos teóricos que ajudam o leitor a contextualizar o caso. Conclui-se com uma nota didáctica em que o autor trabalha o caso e apresenta uma solução exemplar.

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# 1 Introduction

The Covid-19 pandemic has had a significant influence on the global economy, leading to a crisis that has affected nearly every industry. As a result, companies had to adapt quickly to the new circumstances and needed to show their ability for resilience.

This case explores how a company can overcome a crisis such as Covid-19, using the example of Debeka. Debeka is one of the biggest private insurers in Germany and overcame Covid-19 without a drop in performance compared to previous years. The case of Debeka is highly informative as it provides a unique opportunity to understand how effective crisis management can be achieved through calm and clear acting.

The work is based on research and first-hand information from the company. The employees who have their say give an accurate insight into the time of the Covid-19 pandemic, thus allowing for a realistic and authentic overall picture.

In the following, the theoretical foundation is laid. After that is the case showing how Debeka was affected by the crisis and how the company managed the situation. Section 4 discusses the findings and suggests how to go through the case. The work is rounded off with a final summary and a discussion about possible limitations.

## 2 Research Note

### 2.1 The art of standing out

#### **Competitive Advantage**

While some companies thrive in their respective markets, others seem to struggle or ultimately fail. The key to success lies in gaining a competitive advantage and being able to maintain it over time. To stay ahead of the competition and maintain their market position, companies must constantly strive to differentiate themselves and offer something unique to their customers. This can be achieved through various strategies, such as investing in new technology, offering superior customer service, or simply having a more efficient and streamlined operation. Whatever the approach, the most successful companies are those that can identify their strengths and leverage them to their advantage while also being willing to adapt and evolve as the market changes.

Competitive Advantage (CA) is a crucial attribute for organizations. It has been a major research topic in strategic management for a long time. CA is the ability to outperform competitors regarding profitability or market share. Without any CA, a company will soon be pushed out of the market by the overperforming of its competitors. It can be achieved through a unique value proposition, difficult to imitate for competitors (Porter, 1985).

Companies can gain a Competitive Advantage from external circumstances (Porter, 1985) or internal resources (Barney, 1991). Focusing on the external circumstances, Porter's Five Forces Model is one of the most acknowledged frameworks when examining a company's environment. According to Porter, the five forces to determine an industry's strengths and weaknesses are the competition in the industry, the potential of new entrants into the industry, the power of suppliers, the power of customers and the threat of substitute products. A company can use the model to understand its industry better and build a competitive advantage by leveraging the five Forces (Porter, 1971). However, academics have criticized the model over time. One of the critical critics is that Porter assumes a static market without dynamic changes (Beattie, 2022). Instead of looking at a dynamically changing environment, it draws an industry as a whole at a certain point in the past.

SWOT analysis is an effective tool for analyzing internal and external factors. Being a crucial tool for managers over decades, the tool delivers the strengths and weaknesses of a company as the internal incremental of the analysis and potential opportunities and threats from the external

environment (Sarsby, 2016). However, easy-to-fill quadrants, typically in a 2x2 matrix, can cause the analysis to be performed quickly and sloppily (Piercy, 1989). Piercy, therefore, suggests guidelines on how to work with the tool. Among other things, he recommends a customer-centric approach for the SWOT analysis. This means that only strengths and weaknesses that the customer sees are considered (compare appendix XXX). This focuses on what is essential to the customer and away from what the company thinks is important. Consequently, such strengths increase customer loyalty, while weaknesses have the opposite effect.

However, the resource-based view (RBV) focuses on a company's internal resources (Barney, 1995). Barney suggests that a company's capabilities and resources are the keys to sustainable competitive advantage. Those resources are either tangible or intangible assets (i.e., knowledge). At the same time, Barney mentions that not all firm resources can be a source of competitive advantage, only those that are valuable, rare, inimitable and non-substitutable. A company's capabilities and resources are the primary determinants of its profitability (Grant, 1991). Similar to Barney, Grant further mentions that the competitiveness of a company depends on resources that differentiate from competitors, that are difficult to imitate, and, respectively, to substitute.

Extending the RBV, the dynamic capabilities view considers how companies can adapt their capabilities and resources in response to changing environments. Based on Baretto (2010), dynamic capabilities are formed out of four dimensions: sensing opportunities and threats, timely decision-making, market-oriented decision making and the ability to change the resource base (Baretto, 2010). Baretto specifies that the four dimensions should be considered as a whole and cannot be analyzed isolated from each other.

Due to the insurance industry's highly regulated and competitive nature, achieving a competitive advantage within the insurance industry is particularly difficult. Nevertheless, obtaining a competitive advantage for an insurance company is critical. This is because customers have high price sensitivity, and switching costs are low. However, the academic community proposed several strategies to help insurance companies gain a competitive advantage. These mainly relate to the company's willingness to innovate and the company's internal resources. Littlejohns identified four ways traditional insurers could stay competitive while taking advantage of market trends. (1) Insurance companies must be innovative with new products and services. That is on the one hand because customers demand technology to receive

more accurate premiums and on the other hand because rising InsurTechs can deliver right that. (2) Not only fight for new acquisition of new customers but also serve existing customers. To prevent customer churn, insurers should constantly monitor how loyal existing customers can be better served. (3) Insurers need to embrace the technology revolution. Insurers must take advantage of the benefits of digitalization, such as cost reductions or more efficient processes, to remain competitive. (4) Be smart with customer data. Understanding customer data as an important resource and learning how to use it to an advantage is fundamental. For instance, different customer-centric products can be created, or the customer approach can be made highly efficient (Littlejohns, 2019).

## 2.2 Building resilience and fostering innovation in today's fast-paced environments

Using agile methods, companies from multiple industries experienced loads of advantages. Reduced development costs by 15 % to 20 % or multiplied returns on digital investments by 200 % to 300 % are only some to mention (von Hülsen et al., 2019). No surprise that also insurance companies discover the new operating model for themselves (Lorenz et al., 2020).

Agile methods find their origin in software development. However, adopting agile methods for management does not mean copying the work and processes of software developers. Instead, agility is more of a cultural mindset of how to solve emerging problems that can be applied to any company department (Moran, 2015).

Over time, various agile methods have become established. These are constantly being enhanced, and new frameworks are being explored. Scrum is one of the most used agile frameworks nowadays. It enables teams to work together effectively and efficiently. At first glance, it is a relatively simple framework consisting of prescribed meetings, roles within the team artifacts and rules that control the process (Maximini, 2018).

The sprint is the heart of every agile project with Scrum (Rehkopf). A sprint is a short period where the team completes a set amount of work. The final product is built in a series of sprints, breaking down the complete project into small pieces.

The daily routine with Scrum is standardized with a series of recurring meetings. Within a sprint, some recurring meetings give the sprint its routine and strengthen the communication within the team. The meetings happening during a sprint are the sprint planning, the daily stand-ups, the sprint review and the sprint retro perspective. An overview of the meetings is given in Table 1.

The roles contain a product owner, a scrum master and the development team. The product owner is responsible for keeping track of the team's alignment with the product goals by constantly adjusting the process to the need of the product, customer expectations or market trends (West). The scrum master, however, is in charge of the team's process. He takes over the organizational task and tries to guarantee a smooth working environment for the team. He orchestrates all deadlines, monitors that the Scrum values and the work progress are permanently adhered to and tries to eliminate all stumbling blocks that may arise (West). The development team is composed of diverse members. Members can have a variety of professional backgrounds. The importance is that the team delivers its work during the project and ensures transparency about the workload, the tasks and the project status (West).

Hence, it helps teams to structure their composition and provides time structure.

## 3 The Case

### 3.1 Introduction

Debeka Group is a German insurance company widely recognized for its expertise in health insurance. However, the company also offers a comprehensive range of insurance products, including life, home or car insurance.

In the following, it will always be the talk of “*Debeka*”. After a short explanation of the history of Debeka in 3.3, the term Debeka always refers to the entire group of companies. The largest branch of the company is health insurance. Accordingly, this is often the focus.

The company has faced significant challenges in recent years due to the Covid-19 pandemic, which has caused significant changes in the insurance industry and disrupted the global economy. Despite these challenges, Debeka has adapted quickly to the changes and continued to serve its policyholders while maintaining its financial stability.

To understand how Debeka has navigated the challenges posed by the pandemic, a case study will be conducted using theoretical frameworks to analyze the company's strategic decisions and performance. Markus Bär, the Head of the Human Resources Department, as well as Henry Müller from the Human Resources Department, will provide first-hand reporting to enable a thorough analysis of Debeka's performance during the pandemic. During the Covid-19 pandemic, the contributions of Mr. Müller and Mr. Bär were pivotal in assisting Debeka with navigating the challenges presented by the crisis as members of an “emergency team” and a new work task force before the pandemic. Both were involved in Debeka’s preparedness and response to such a pandemic. Despite the unprecedented nature of the pandemic, their proactive crisis management helped Debeka to uphold its market position. As a result, both will give valuable insights. This will help track and analyze how Debeka has come out successfully through this challenging period.

### 3.2 The Distinctiveness of the Health Insurance Industry

#### **Bismarck and Beveridge**

It is imperative to acknowledge that the healthcare systems vary significantly across countries. The systems have evolved differently based on each nation's unique history and political system, leading to various systems. However, the Bismarck and Beveridge models remain

prevalent in Europe and serve as the foundation for most European countries healthcare systems.

The Bismarck model, named after Otto von Bismarck operates on the principle of "sickness funds." These non-profit insurers compete against each other, with employers and employees equally sharing the costs. The funds are financed through salary reduction, with the system's primary objective being to provide health insurance to the employed population.

In contrast, the Beveridge model, named after William Beveridge, is funded through taxes, with the government providing healthcare services similar to other public services, such as the police. In addition, the government owns healthcare facilities such as hospitals, and the system covers the entire population.

It is crucial to comprehend these various systems to understand how insurance companies operate in different countries and how Debeka operates in Germany.

### **The German Insurance Industry**

Unsurprisingly, Germany, Debeka's home turf, builds up on the Bismarck approach designed by and named after its former chancellor. Thereby, the country makes use of a dual system:

On the one hand, the *statutory social security program (SHI)*, where the population majority belongs to. It can be generalized that employees and their non-employed dependents are mandatory members of the program. Every member gets the same coverage, financed through salary reduction paid equally by employer and employee — other person groups (students, retirees, the unemployed or disabled pay reduced premiums.

On the other hand, is *individual private health insurance (PHI)* - the market in which Debeka operates. Private insurers derive their customers from different sources. High-income employees earning more than the social security ceiling (in 2022 € 64,350.00 gross salary p.a.) are exempt from the obligation to be in SHI. They are free to decide how they want to be insured, self-employed, civil servants and members of the statutory social security program who desire to buy supplementary insurance voluntarily, for instance, supplementary dental insurance.

Those who are covered by (SHI) have the autonomy to select their preferred insurance provider. Due to the highly competitive nature of the insurance market, the various insurers available may offer marginally different prices and benefits. German policyholders are actively involved in the decision-making process when it comes to selecting their preferred insurer. Therefore,

the German policyholder is highly aware of the advantages and disadvantages of the providers, and the insurers are dealing with informed customers.

Regardless of one's insurance coverage - whether it be through SHI or PHI - the medical care received remains the same. Patients will visit the same hospitals and physicians regardless of their insurance provider. However, there may be notable differences in waiting times for appointments, particularly for specialized care.

To further demonstrate national distinctions in the healthcare systems, the German healthcare system was compared to the French and the UK (Exhibit 3). Based on premiums, the two countries are the second and third largest European insurance markets after Germany.

### **Covid-19 and the Insurance industry**

The insurance industry is no exception when it comes to Covid-19's influence. However, like any other area of life, insurers were caught off guard by the pandemic and faced major challenges.

*“In the future, too, the motto will be: Insurance is sold, not bought”* (Schwanemann, 2021). Therefore, a constant presence of the company, continuous customer contact and a feeling for the customer's needs is essential for a smooth and successful business. No wonder that Covid-19 has greatly influenced the insurance industry. Contact restrictions and lockdowns simply did not allow face-to-face customer meetings, so sales were hampered.

The industry experienced a decline in premium growth from over 4% annual growth in the decade before the crisis to 1.2% in 2020 (Bernard, 2022). Moreover, the demand for life insurance products dropped with the advent of the pandemic. Given that the stock prices went down, products linked to the capital market, such as life insurance, became riskier and were therefore increasingly avoided. In addition, the loss of jobs meant that some people simply could no longer afford supplementary insurance (OECD, 2021).

While claims in the life sector increased by 7.3 %, they went down in the non-life sector by 4.8 % (OECD, 2021). Even though overall claims fell in the non-life business, Covid-19 also impacted parts of this direction. National as well as international travel was almost impossible. Countries imposed entry bans or hotels and restaurants had to close - so it is evident that, especially at the beginning of the pandemic, the claims for travel cancellation insurance increased due to trips that could not be taken.

To return to the Life sector. Covid-19, as a global pandemic, naturally had an extreme impact on health insurers. For instance, it is the health insurers who must cover Covid-19 testing. Depending on the spread and variant of the virus, the demand for testing has increased significantly. Further, lockdowns and curfews have led to increased unemployment rates. Closing restaurants, gyms, hotels or other businesses led to many layoffs. For private insurers, the question arises as to whether customers with supplementary insurance can still afford it in such times.

Further effects of the pandemic may also only become apparent in the future. The isolation and the general population's tendency to have as little contact as possible with others and to reduce meeting people to a minimum caused many people to avoid routine health check-ups. The consequence could be increasing disease cases in the years to come. In addition, increased claims would directly impact the insurance industry (Popo et al., 2022).

Even before the pandemic, trends were emerging that will continue to change the insurance industry. Likely, Covid-19 will further reinforce some of these trends (Lehane, 2020). Over the preceding decade, the insurance industry has witnessed substantial growth in its client base's demands, awareness, and anticipations. In today's rapidly developing world, where allegiance is no longer an assurance, insurers must transcend their fundamental products and services to sustain customer retention. In addition, the recent experiences of customers over the preceding two months have intensified their expectations of the products and solutions they necessitate. Consequently, insurers must adapt to the evolving landscape.

Customers and intermediary partners presently require a different approach to interacting with insurers, with digital technology playing a more prominent role in propelling an enhanced customer experience and reducing the need for in-person communication. This transformation will require an overhaul of channel strategies.

Although the bulk of IT expenditure by insurers still primarily caters to preserving legacy systems, budgets are beginning to shift towards analytics, artificial intelligence, and other advanced functionalities. This transformation will enable more flexible product offerings and an enriched customer experience.

The COVID-19 pandemic has expedited innovation in the sector and emphasized the significance of InsurTech solutions in the operational models of insurers. To tackle the predicaments of enticing younger employees and addressing an anticipated exodus of baby boomers, insurers must enhance their technology systems, operational models, talent

capabilities, and workplace policies. The industry confronts challenges in enticing younger employees who generally harbor a negative perception of it and lack knowledge of the field.

### 3.3 Company Overview

#### **History**

Today, Debeka is one of Germany's largest insurance groups, with seven million members and almost 21 million policies.

In the beginning, however, the company started as a health support fund for civil servants in the Rhine province. By 1910, Debeka had already extended its commitment to the German empire. It was also during this period that the company experienced its first boom. Initially, only men up to the age of 45 were admitted, but from 1907 wives were also allowed, and later, in 1922, children as well. Consequently, this led to the first major leaps in number of insured persons.

After the 2<sup>nd</sup> World War, the company quickly recovered and rebuilt its business. Thus, in 1947, shortly after the end of the war, the company introduced death benefits and life insurance to diversify its product portfolio.

Debeka, nowadays, is one of the most prominent players in German insurance. Founded in 1905, the company focused on providing health insurance for civil servants. However, until today, the company has developed from a pure health insurer for one specific professional group to an insurance group that offers insurance protection for all private households as well as small and medium-sized businesses.

#### **Philosophy & Mission**

*“The secret of Debeka's success lies in its philosophy.”*

As no less, Debeka itself describes the importance of the philosophy on the company's success. The origin of the philosophy lies in the legal form of Debeka. The legal form of Debeka Krankenversicherungen – Mutual Insurance Company (*Versicherungsverein auf Gegenseitigkeit (VVaG)*) obligates the company only towards the customer. The company has been independent and does not have to take into account dominant companies or investors. It exists only for the customer and not for shareholders or investors. Hence, Debeka, which is based on the VVaG, provides for two shareholders: its members and customers and its employees.

Henceforth, Debekas goals are derived from this, as it is said on its website:

*1. The best possible services for our members and customers.*

Debeka's products must be at the top of their game in the market. Surpluses are used for product improvements or surplus sharing with members.

*2. Secure jobs, performance-related pay and above-average social benefits for employees*

If the first corporate objective is met, the companies' existence and, thus, the employees' jobs are secured. Any earnings above and beyond this are used to give employees a share in the company's success. And rightly so, because Debeka's success results from their work.

## **Business model**

The two largest companies in the group, Debeka Health Insurance and Debeka Life Insurance are mutual insurance companies (VVG). As such, the companies are owned by their policyholders and must operate for their benefit. The group's other subsidiaries are legally listed as public limited companies and are, however, also managed after the model of the two big ones.

Still, the company operates on a business model typical for the insurance industry. Debeka collects premiums from policyholders in exchange for insurance coverage. The primary business activity of Debeka is full health insurance. In 2021, the company witnessed an increase in fully insured members to almost 2.5 million. Debeka established a multichannel distribution strategy, including a network of over 8,200 sales agents and over 250 branches across Germany. In addition, there are approximately 1,000 service offices nationwide that provide advice to local residents.

The business model can be broken down into the following components:

**Product offerings:** The company's health insurance business is a major part of its operations. Besides, Debeka offers a range of products, including life insurance, property insurance, as well as financial products such as investment products or loans.

**Premium collection:** Debeka collects premiums from its policyholder in exchange for insurance coverage. Premiums are typically based on the level of risk associated with the policyholder and the coverage provided by the insurance policy.

**Risk management:** Debeka manages the risks associated with its insurance policies by assessing the level of risk associated with each policyholder and pricing premiums accordingly. The

company also manages its overall risk exposure by diversifying its portfolio of insurance products and investing in a range of financial instruments.

Claims management: Debeka is responsible for processing and paying out claims made by its policyholders. The company's claims management process involves assessing the claim's validity, determining the amount of coverage provided by the insurance policy, and paying out the appropriate amount to the policyholder.

### **Revenue and cost structure**

Regarding revenue structure, Debeka generates most of its profit from premiums paid by its policyholders. According to the 2021 annual report, Debeka made over 81 % of its profits with insurance premiums. In turn, almost 60 % is accounted for by health insurance premiums. The remaining revenue was generated by Debeka's building and loan division.

In terms of cost structure, Debeka incurs several types of costs to operate its business. These include operating expenses like salaries and rent and claims paid to its policyholders. Consequently, Debeka's cost structure is closely linked to its revenue structure, as most of its costs are directly related to claims paid to its policyholders.

## **3.4 Market Overview**

### **Market segmentation**

Debeka primarily serves customers in Germany. Started as an insurance company for civil servants, Debeka still serves a high number of those mainly with comprehensive health insurance. Nevertheless, the private insurance market provides insurance for customers of all ages, from students to retirees and all income levels. Therefore, Debeka's customer base is fully diverse, and the company can attract nearly everyone through the wide variety of products offered. Moreover, the company wants to attract everyone and diversify its customers.

### **Nature of the competition**

The German market for private insurers can be seen as highly competitive. The insurer companies compete fiercely for customers. They are not bound by the same regulations as statutory health insurers and can offer a broader range of benefits and services.

Therefore, the competition is mainly driven by factors such as price, quality of service, benefits packages and customer service. However, insurers also need to develop innovative products and services, like digital health platforms or telemedicine services, to meet changing customer needs and to bind the customer to the company.

Even though the market is highly regulated, new players enter the market, which intensifies the competitive situation even more.

### 3.5 Crisis Management

#### **Proactive crisis management and the right timing**

Debeka's strong showing through the Covid-19 crisis did not happen by coincidence. Primary prophylaxis and proactive thinking prepared the company for periods of crisis. In wise foresight, Debeka set up an "emergency team" well before the Covid 19 pandemic. The team developed solutions for how to react quickly to a crisis. Mr. Bear called this stage "*Quick and Dirty*". Decisions had to be made quickly and for the good of all. However, there were no long periods of consideration and deliberation.

#### *Business Impact Analysis*

As part of a business impact analysis, the team underwent process prioritization across the entire company. In the event of a crisis, it was crucial for the company to have the ability to quickly and flexibly adapt to the new environment.

The team ranked processes based on a scoring system. Important factors influencing the prioritization were, among others, how relevant the respective processes were for the external reputation or the financial reliability. "*Whom do you send home, whom do you equip?*" – that was the guiding principle, flatly speaking, as Mr. Müller describes the scene.

The emergency team used a calculation consisting of the consequences and impacts shown in Table 1. Together with the maximum acceptable process downtime (MAPD), the following calculation formula resulted:

$((\text{financial damage} + \text{recognition} + \text{limited business activity}) * 0.3 + (\text{sanctions} * 0.1)) * \text{MAPD}$ ,

where process downtime is defined as: 0 – 12 hours = 5; 13 – 24 hours = 4; 25 – 72 hours = 3; 73 – 120 = 2; all above = 1. The higher the score of a process, the higher its priority.

Table 1: Business Impact Analysis

Consequences	Impact (none = 0; low = 1; high = 2; very high = 3)			
Recognition (i.e. reputation damage)	None	low	high	very high
Sanctions (i.e. through breach of law, expected penalties)	None	low	high	very high
Financial damage (1 = low; 2 = high; 3 = very high)	None	low	high	very high
Limited business activity (of insurance business)	None	low	high	very high

The existing process prioritization should pay off for the company twice over. Firstly, decisions could be made in a structured manner and based on analysis. That allowed the company to quickly strengthen business-relevant processes and push other processes to the back of the queue without descending into “chaos”, – Mr. Müller explains.

Secondly, the employees supported management decisions. Needless to say, each employee individually perceives his or her work as essential. A de-prioritization of one's job and responsibilities is to nobody's taste. The prioritization list (communicated top-down by the Board of Directors) ensured high acceptance among employees.

Mr. Müller gives a few examples to illustrate the prioritization: *“Training is an excellent example of a non-prioritized process. They can still be done next month. On the other hand, reimbursements from health insurance or accounting, including payment of salaries, are vital processes that need to be strengthened.”*

*That little bit of “luck”*

While the sales force has always been equipped with the necessary hardware to work mobile, in-house staff still need to. Procuring the hardware at short notice in quantity necessary for Debeka to enable every employee to work mobile would certainly have been challenging.

Shortly before the pandemic, the company wanted to equip the sales force with new end devices, so the necessary orders had already been placed. With the arrival of Covid-19, Debeka could now equip its sales force with the new hardware, while the older devices were still sufficient for the office staff.

However, here too, the company was helped by forward-thinking. Debeka also used previously accumulated know-how here. For instance, through the previous involvement with New-Work, hardware requirements and usability had already been tested before the pandemic. This enabled the required hardware to be distributed efficiently among the employees.

### **Active crisis management**

Even with meticulous preparatory work and preparation for such a worst-case scenario, there are always situations that one must address and find solutions for quickly. Consequently, Debeka was also faced with new challenges that had to be overcome.

The Board of Directors had a “*keen intuition*” for the situation, as Mr. Bär describes, and called “*a special meeting of the Directors on the first day of the pandemic.*”

#### *The protection of the employees*

Along with the business impact analysis and the process prioritization, it was necessary to prioritize the risk groups. In the first step, employees who could not be exposed to any risk due to previous illness or other circumstances were considered. Debeka determined that employees would report to their first superiors if they were exposed to such a risk to guarantee a coordinated process. When schools were closed regionally and nationwide, it was necessary, in a second step, to enable parents with school-age children to work mobile.

#### *Maintaining customer relations*

“*The insurance product is different from, for instance, a banking product,*” – explains Mr. Bär, “*a comprehensive health insurance policy, for instance, is an individually tailored product in which the customer, but also Debeka personally, considers customer contact significant to create a fitting product.*”

Therefore, direct customer contact must be kept from being interrupted. And furthermore, the financial existence of the company's employees was at stake. The salary of the sales force consists of a non-negligible share of commissions from policies sold. The affected employees were concerned about this amount and expected to lose much of their salaries due to sharply reduced sales. Debeka pulled a reasonably simple but effective tool to support those and ensure their financial security: The Board of Directors issued an income guarantee for everyone affected. The employees received a fixed income, measured against their previous year's

performance. After the end of the pandemic-related restrictions, a review would be made of how the performance had been compared with the fixed salaries paid. In case they overperformed, they will be paid the appropriate amount in arrears. And if they underperformed, they could repay the overpaid salary to the company in installments.

Debeka forged a partnership with SnapView, a digital communication platform specializing in online consultation and sales. The fundamental objective of this collaboration venture was to equip Debekas's sales force with the necessary tools to navigate the rapidly evolving circumstances and successfully achieve their sales targets. SnapView's comprehensive program is meticulously designed to effectively showcase the various insurance products' innate complexity to discerning customers. By harnessing the power of live video communication, screen sharing, electronic signatures, online identification processes, and other cutting-edge features, Debeka can maintain close proximity to its clients and effectively promote new policies. This innovative solution has enabled Debeka to seamlessly adapt to the changing landscape and efficiently meet the demands of its customers in a secure and effective manner.

## 4 Teaching Note

### 4.1 Synopsis

The Covid-19 pandemic posed major challenges to all of humanity. Insurers were not spared either and had to overcome major challenges during the crisis.

This case study offers insights into Debeka, one of the largest private insurance companies in Germany. Proactive crisis management and planned New Work concepts helped Debeka through the crisis unscathed.

The case shows how the company meticulously prepared for such a scenario before the pandemic and what measures were taken when the pandemic occurred. This section aims at how theoretical principles of management can be applied in a crisis and how teachers should present the case to their students.

### 4.2 Pedagogical Objectives

The purpose of this case is to show students how Debeka overcame the crisis and why the company was so successful. Theoretical principles of management are applied to provide future students with the right tools to adequately respond to a crisis of this magnitude.

The goal is to apply the fundamentals to what is happening but not to limit oneself entirely to them. Creativity with outside-the-box thinking and critical questioning should be maintained at all times.

### 4.3 Target audience

The target audience of this case is bachelor's or master's students pursuing a degree in business administration or any other degree related to business, management, strategy, or consulting. It is no background or work experience required; however, the case may also be interesting for professionals that like to learn how an insurance company can successfully navigate through a crisis.

### 4.4 Teaching approach

The case aims to have students take on the role of an external consultant hired by Debeka. The scenario can be presented to the students as follows:

Debeka, like every other company in the world, was surprised by the pandemic. The company was able to hold its own during this time and is satisfied with the crisis management as well as

the outcome of how the company came out of the crisis. However, the company has also recognized that the environment is becoming more dynamic, and Covid-19 has continued to strengthen this process. As an external consultant, the task is to provide Debeka with further tools to be able to react quickly to emerging market changes in the future. The management of Debeka would like to have a classification of the current situation of the company and ways and means to remain adaptable in the future.

The students are expected to be familiar with the concepts of analyzing a company's situation, both internal and external. In addition, they must know and be able to apply methods of agile management. It is recommended to have the case done in small groups of three students. Even in real life, agile teams usually consist of small teams that brainstorm together and find solutions. Therefore, it is not advisable to work on the case individually.

Below is a recommended structure to follow. However, there are countless ways and solutions that students can deliver. It is important to strengthen the students' creativity and to appreciate different solution paths.

#### Developing an overview of the external and internal situation of Debeka using SWOT

The students are expected to deliver an overview of the situation of Debeka. An effective tool to do so is the SWOT analysis. The students should recognize Debeka's external context using the opportunities and threats the company is facing while simultaneously seeing the company's internal strengths and weaknesses.

For clear guidance and focused analysis, students should think customer-centric at all times. This should help students block out unimportant aspects and focus on sustainable strengths and dangerous weaknesses.

#### Identifying the four dimensions of dynamic capabilities at Debeka

To master this task, students are expected to be familiar with Baretto's (2010) definition of dynamic capabilities. The students are expected to analyze the case regarding Debeka's ability to react to the Covid-19 pandemic based on the dimensions. For that, students should examine the following dimensions and filter out the most important aspects of each dimension.

- ⇒ To sense opportunities and threats
- ⇒ To make time-oriented decisions
- ⇒ To make market-oriented decisions

### Implementing an agile method to Debeka

To continue its competitiveness, Debeka hired the students to implement an agile method in its company. Debeka has noticed that external threats may grow, which could have an impact on the company's business in the future. To prepare the company for this, an external consulting team was hired to implement agile management methods. With this, Debeka expects to be able to respond even faster and more effectively to emerging contingencies in the future. Hence, Debeka's assignment to the consulting team is: *“Implement an agile method to our company. We expect you to analyze the importance of being agile in our industry. Furthermore, we require you to form a team with whom you will then run a project that will strengthen the competitiveness of Debeka in the future. Debeka already ran a market analysis and is highly interested in introducing a testing phase for an on-demand insurance product. The consultants are hired for conceptualization and planning as well as for the implementation.”*

It is expected that students possess a thorough understanding of agile methodologies and the benefits they offer. The implementation should be entirely led by the students, with a focus on precision and detail. Students should outline the steps necessary, not actually walk through the steps. Creativity and out-of-the-box thinking are highly valued, and there is no one “right” way to approach the implementation. Students can also be encouraged to work with assumptions when they think information is missing but necessary for the case. Hence, the structure should encompass an analysis component, if needed, after developing the current situation of Debeka before. Furthermore, the structure should include the implementation of the agile method as well as a reviewing component, including a scaling phase.

#### 4.5 Analysis and discussion

##### **Swot analysis**

Strengths	Weaknesses
<ul style="list-style-type: none"><li>▪ Strong brand recognition and reputation</li><li>▪ Diversified product portfolio</li><li>▪ No obligations to external shareholders, due to the legal form of the company</li><li>▪ Large customer base</li><li>▪ High customer loyalty</li><li>▪ Excellent customer service for German speakers</li><li>▪ Strong distribution network</li></ul>	<ul style="list-style-type: none"><li>▪ Limited international presence</li><li>▪ High dependency on German market</li><li>▪ Large bureaucratic organization (can lead to slow decision-making)</li><li>▪ Dependence on traditional distribution channels, such as agents</li><li>▪ Limited customer support for non-german speakers</li></ul>

<ul style="list-style-type: none"> <li>▪ Popular career path with a large pool of new talent</li> <li>▪ Strong financial performance with consistent profits over the years</li> </ul>	<ul style="list-style-type: none"> <li>▪ Potential exposure to health-related risks and regulatory changes in the healthcare sector</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>▪ Growing demand in the German insurance market</li> <li>▪ Growing demand for digital and mobile-based insurance solutions</li> <li>▪ Expansion into other international markets</li> <li>▪ Collaborations with other companies (e.g. InsurTechs) to enhance digital offerings</li> <li>▪ Growing demand for sustainable and environmentally friendly insurance products</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>▪ Intense competition in the German insurance market</li> <li>▪ Technological disruptions and the rise of InsurTech startups, which may disrupt traditional distribution channels and business models</li> <li>▪ Economic downturns that may lead to a decrease in demand for insurance products</li> <li>▪ Changing regulatory environment and geopolitical risks</li> </ul>

Strengths

Debeka boasts several strengths, affording it a competitive edge in the insurance market. Among these is its robust brand reputation and recognition, which have been cultivated over the course of a century. The reputation is highly valued by customers as it enhances their trust and confidence in the company. This trust proved especially vital during the pandemic, as sales remained steady due to customers’ faith in the company and its sales force, even in the absence of direct face-to-face interaction.

Another notable strength of Debeka is its diverse array of products, which enables the company to serve a wide range of customer needs. This, coupled with the trust it has garnered in the market, has allowed Debeka to attract a broad customer base. Overall, Debeka’s strengths position it as a formidable player within the insurance industry.

Weaknesses

Debeka’s primary focus is on the German market, which is limiting the scalability of its business within a single country. In contrast to its competitors that operate in multiple international markets, Debeka’s reliance on the German market poses a significant weakness. This dependence on a single market could hinder its growth potential when compared to companies with a more diverse portfolio. Despite the stability of the German economy and

political landscape, Debeka's limited market reach may be a drawback that could impede its growth in comparison to internationally active competitors.

Debeka's primary focus is centered on the premiums of health insurance. As such, the success of the company is closely linked to the heavily regulated health insurance market and the potential health risks confronting its customers, including those arising from pandemics like Covid-19 or their long-term effects.

### Opportunities

Debeka has the potential to enhance its customer-centric focus and establish a competitive edge by capitalizing on various opportunities. Among the opportunities, the adoption of digital transformation stands out as a particularly significant step for the company. It is evident that customers have an increasing interest in digital insurance solutions that cater to their specific needs. Debeka can fulfill this demand by utilizing its internal resources to develop digital solutions or by collaborating with or acquiring emerging InsurTech companies to gain external knowledge and expertise.

The demand for life and non-life insurance products is growing. In contemporary times, insurance products are increasingly considered a necessity. With a population that is aging, digitalization on the rise, and an environment that is in constant flux, individuals are understandably seeking ways to safeguard themselves and their assets. Whether it is health, automobile, or property insurance, having coverage in the event of an unexpected occurrence is of paramount importance. It appears that those trends will prove to be profitable for Debeka.

### Threats

Debeka operates in a highly competitive market, with the competition coming from traditional insurance companies and emerging InsurTechs that are introducing innovative solutions for the customers.

In addition, changing regulatory environments or healthcare reforms imposed by the government can disrupt the insurance industry, requiring it to be flexible in adapting its products and operations to meet the new regulatory requirements.

### **Dynamic Capabilities**

To conduct a thorough analysis of Debeka's dynamic capabilities and ease of the process, it is recommended that students approach each dimension methodically. By doing so, they can

identify and extract crucial information from the case and apply it to each dimension. It is essential that students possess a comprehensive understanding of each dimension and show the ability to derive meaningful insights from the case.

#### Debeka's ability to sense opportunities and threats

Debeka's ability to sense opportunities and threats comes from several points. First, the company is very close with its customers. Having service offices around the country and a salesforce that is in daily contact with the customers means that trends and customer concerns can be identified quickly and comprehensively.

#### Debeka's ability to make time-oriented decisions

During the onset of the pandemic, Debeka demonstrated a strategic advantage in its ability to make efficient and time-oriented decisions. This was largely attributed to the company's proactive crisis management approach, including the emergency team that had been established prior to the pandemic. The emergency team prepared the company for any unforeseen circumstances. The team strengthened Debeka's ability to act and respond quickly in any case of crisis. By prioritizing certain processes, Debeka was able to safely defer certain tasks that could be postponed until a later time. This allowed for swift and accurate decision-making during a time of great uncertainty and volatility.

Furthermore, the company took steps to implement a revised communication process. One noteworthy change that has been implemented involves extending invitations directly to the works council for critical meetings. This approach has proven to be highly effective in expediting the processing and implementation of decisions made by government and health authorities. As a result, the organization has been able to maintain a proactive stance in keeping all stakeholders informed, which has been instrumental in building trust and fostering positive relationships.

#### Debeka's ability to make market-oriented decisions

Furthermore, Debeka's crisis management approach enabled the company to maintain its operations and provide uninterrupted customer service, demonstrating its commitment to excellence and resilience in the face of adversity.

### **Scrum**

As an external consultant, getting a clear picture of the customer's (here, Debeka) expectations and wishes is important. Debeka specified the direction of the expected product. Based on the company's requirements, Debeka wants to explore the opportunities with agile methods based on a pilot project on the example of an on-demand insurance product. As a consultant, it is in one's own interest to make the project successful and convincing for the company. This way, follow-up projects can be won, and the work can be continued.

With such broad instructions, the consultants should first set their own guard rails: Why does Debeka need agile methods? Are there possible threats? How does Debeka overcome possible threats? What/Whom does Debeka need for a successful project?

Looking at the threats from the prior run SWOT analysis, it is clear traditional insurers must fight digital disruption and rising InsurTechs. Those upcoming firms can offer highly individual and innovative products for customers. Implementing a project team using an agile method within Debeka can function as an internal workforce to fight upcoming competition.

### Project initiation

To establish a clear project plan and anticipated outcomes, it is essential for the consultant to collaborate with the designated representative from Debeka. This partnership will require a comprehensive examination of the on-demand insurance market, including an analysis of customer requirements, competitive offerings, and potential avenues for on-demand insurance products. By conducting this thorough market analysis, the consultant will be able to accurately assess the possibilities, product specifications, project timeline, and team requirements necessary for progressing the project.

With the information gathered, the consultant can then formulate a project charter and outline the project's objectives, timelines, deliverables and key stakeholders. After that, the consultant will, in collaboration with the representative from Debeka, create a cross-functional project team comprising members from various departments. The team may include members from marketing, IT, customer service and product development.

### Scrum implementation

Before starting the project, it's important to hold a kick-off workshop. This workshop should last a day and be led by a consultant who can introduce the team to the new working style of Scrum. Key stakeholders should attend this workshop to understand the team's new working culture. The team will learn about their roles, responsibilities, and meetings during the

workshop. The consultant is recommended to stay with the company during the project and take over a role in the team. The consultant could either occur as the product owner or the scrum master. They will also develop a prioritized product backlog and align the product vision with the stakeholders. Customer stories will be created to better capture customer requirements and expectations for the new product. This will help everyone involved to anticipate the team's work and the frequency of updates.

After the kick-off workshop, the team is equipped to commence the new project. Guided by the product backlog and the sprint goals, the team will collaboratively work to design, develop and test the on-demand insurance product in the iterative sprints. The team will use the classical Scrum meetings. During this time, the team will increasingly adopt agile development practices. And the process will be more efficient from week to week.

Throughout the sprints, the team should consider regular user tests to gather end-user feedback about their current standing, validate the product's functionality and make necessary adjustments. Continuously refining and reprioritizing the product backlog based on feedback is key to ensuring the project's success and achieving a satisfying end result.

#### Product launch and improvement

Valuable customer feedback during sprints is also of great benefit during product launches. The team can now target specific customer groups based on data to realize an initial roll-out of the product. This allows the team to target specific customer segments and geographic regions to generate the highest possible response.

Following the launch of the product, it is recommended that the team diligently track and analyze key performance indicators (KPIs) to gain insights into its performance. It is important to get customer feedback about their satisfaction steadily and to keep track of the business impact of the product for Debeka. This approach will enable the team to continuously refine the product and optimize its value for the organization.

Throughout the project and beyond, the consultant will play a crucial role in guiding and coaching the team at Debeka. The consultant will always ensure the Scrum principles, provides continuous guidance on agile practices, resolves any upcoming conflicts and supports the team in delivering a successful on-demand insurance product that meets customer expectations and creates a further competitive edge for Debeka.

## 5 Conclusions/Limitations

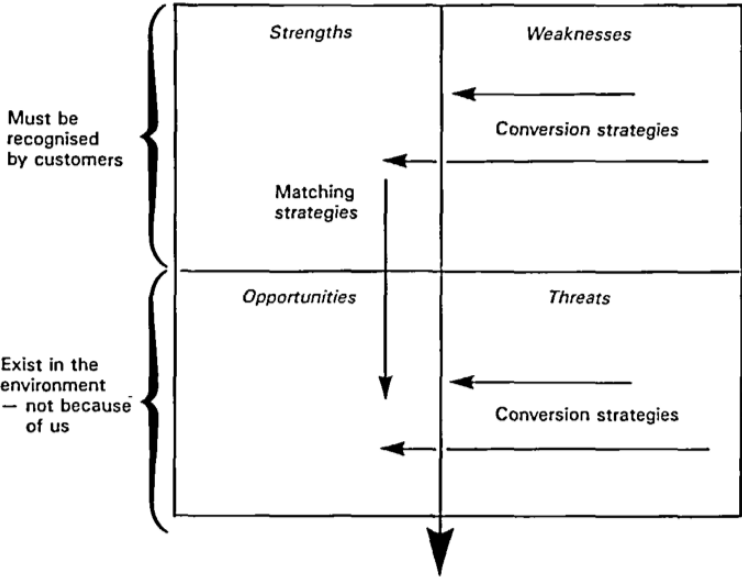
The case study was designed to give students a real-life example of how a large and consolidated company in the more traditional insurance industry handles a crisis such as the Covid-19 pandemic. Debeka, with its major business in the health insurance industry, could arguably struggle a lot during a worldwide pandemic. However, the case shows that Debeka was well prepared for such a worst-case scenario and survived the pandemic largely unscathed. This case aimed to show how companies can prevent crises with proactive action and fast adaptability to the new environment.

Nevertheless, there are some limitations to this case. First, only upper management and Debeka's "emergency team" members were interviewed for this case. Their view of Debeka's crisis management and adaptability is naturally biased and offers only an internal view of things. The view of employees at lower levels of the hierarchy, such as salespeople, was not considered. Likewise, the case owes an external view, such as that of the customers.

Lastly, the Case looks at the Covid-19 crisis and only that crisis. As a large German insurer, Debeka is influenced by many more external factors. For example, the period under review includes other crises that have been left out of the case. One example is the flood of the century in the Ahr Valley in the west of Germany, which cost hundreds of lives and left thousands of people homeless. But also, the war in Ukraine further shook the global economy and increased people's insecurity.








# 6 Exhibits

Exhibit 1: Customer-centered SWOT Analysis



Source: Piercy and Giles

Table 2: Scrum Meetings

Sprint Planning		Development team; Scrum Master; Product owner
		Beginning of each sprint
		One hour per week, e.g. a two-week sprint starts with a two hour planning meeting
		Setting up the team for a successful sprint. The product owner will present its prioritized product backlog, the group will estimate the effort needed and the development team will forecast how much work the team can complete from the product backlog. This will then become the sprint backlog.
Daily Stand-Up		Development team; Scrum Master; Product owner
		Once per day
		No more than 15 minutes














		To enhance the transparency on what is going on in the team. Every team member will answer the questions on what they did yesterday, what they will do today and if they are blocked by anything.
Sprint review		Development team; Scrum Master; Product owner
		At the end of a sprint
		45 minutes per week, e.g. a two week sprint ends with a 90 minutes review
		The team can review their done work during the sprint The development team can present what backlog items are “done”.
Sprint retro perspective		Development team; Scrum Master; Product owner
		At the end of a sprint
		45 minutes per week, e.g. a two week sprint ends with a 90 minutes review
		Review what was successful during the sprint and what can be improved. The team can review the team dynamics, the process the used tools and create plans to improve for upcoming sprints.
 = Attendees  = When  = Duration  = Purpose		

Table 3: Comparison Health Insurance markets

	Germany	France	UK
Healthcare system	Bismarck	Blend between Bismarck and Beveridge	Beveridge
Short overview	Health Insurance in Germany is mandatory. The market is a dual system consisting of statutory (SHI) and private health insurance (PHI). SHI	France has universal health care. The SHI covers the entire population. Additionally, the voluntary health insurance (VHI) offers supplementary	English residents are automatically entitled to free public health care through the National Health Service (NHS). Private insurers offer

	<p>is mandatory for employees with an income below a certain threshold while PHI is for individuals with higher income, self-employed or civil servants.</p>	<p>insurances and fills the gap of the SHI. Almost the entire population is covered by the VHI through the employers. Low-income individuals have free a state sponsored VHI.</p>	<p>additional insurance policies for customers.</p>
<p>Competition</p>	<p>The competition is intense. In the SHI there are several large insurers. The PHI is smaller and more concentrated, with only a few large players dominating the market.</p>	<p>The insurance market is highly competitive. Public health insurance system (Sécurité Sociale) covers the population's majority. However, many people ask for supplementary insurance from private health insurers. This market is dominated by a few large players, with smaller companies competing for market share as well. In recent years there has also been an increasing number</p>	<p>The insurance market for private insurers is highly competitive. There are many large and small players, however the few large players dominate the market. In recent years, the competition from new entrants increased.</p>

		of insurtech’s trying to win customers.	
Regulations Product offerings	SHI insurers offer basic health coverage, the government sets the premium rates for SHI insurers. PHI insurers usually offer more coverage than SHI but at a higher cost.	SHI offers basic health coverage. The benefits covered by SHI are defined at national level. Voluntary health insurance (VHI) offers complementary insurance products, covering bills that the SHI only covers minimal.	Day-to-day business is the responsibility of the NHS, a government body under the Health Department. NHS budgets are usually set for a three-year cycle. NHS provides a comprehensive insurance coverage. However, there is no right for patients to receive a specific treatment.
Consumer behavior	Germans tend to place high value on health and they tend to be highly informed about their healthcare options. The digitalization fostered the demand for online tools to manage their health insurance coverage and access health care services online.	French prioritize insurance products more as a result to Covid-19. The consumer’s product appetite evolved. Three categories have emerged on which customers will place more value: Loss of income, Usage based insurance and lower cost products.	Over 10 % demand additional private insurance already. And it seems that the trust in the NHS services shrinks and private insurance is more demanded.

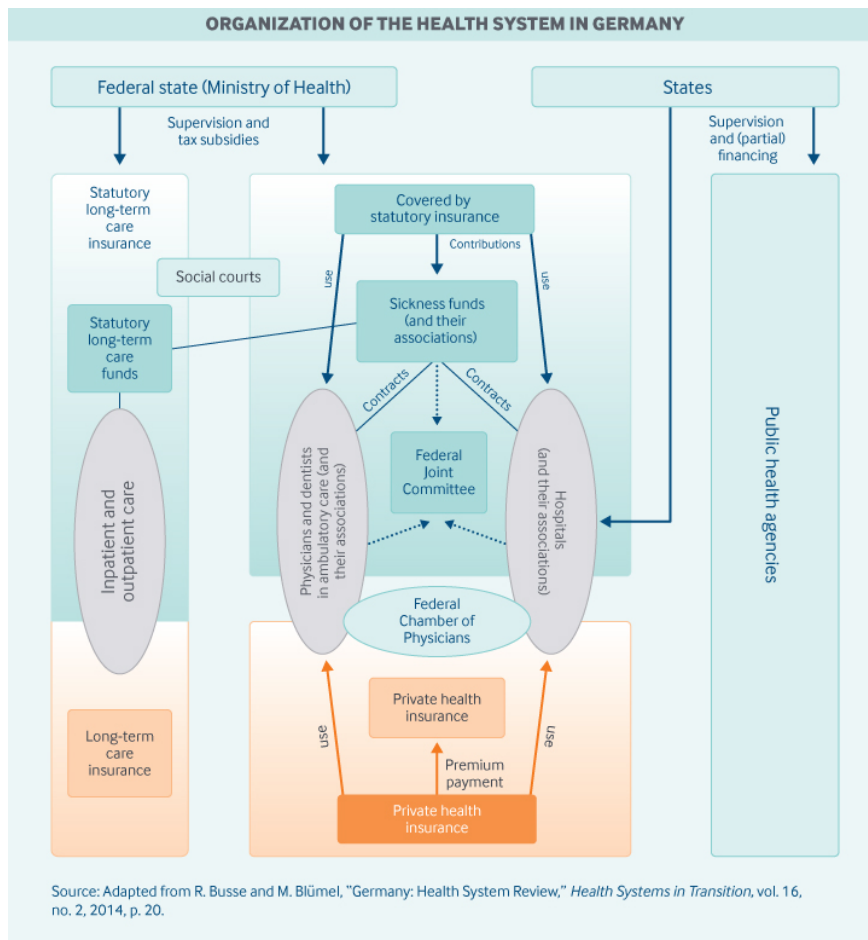
<p>Economic and demographic factors</p>	<p>Germany is with a current population of around 84 million the largest country in the EU. 76.4 % is living in urban areas. The country has an aging population with over 22 % over 65 years, which leads to a higher demand in healthcare services. The economic stability in the last decades with low unemployment rate means that healthcare insurance and healthcare services were demanded steadily.</p>	<p>France has a population of 65 million people from which 81.5 % live in urban areas. Like other industrial countries, France has an aging population.</p>	<p>The UK has a population of 68 million people with 83.2 % living in urban areas. Medical cost inflation in the country leads to high insurance premiums making it hard for customers to afford insurance products.</p>
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Exhibit 2: Debeka's branches in Europe



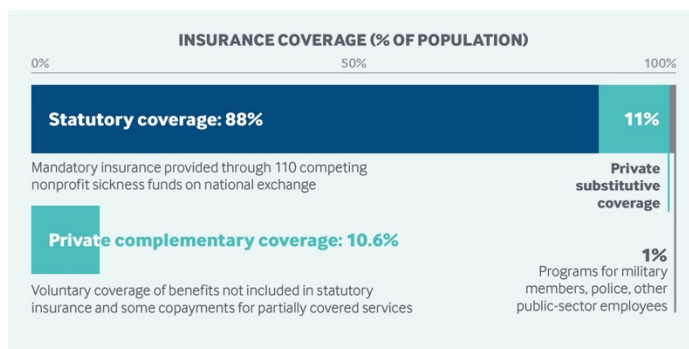
Source: Debeka

### Exhibit 3: Organizational Structure of Germany's health system



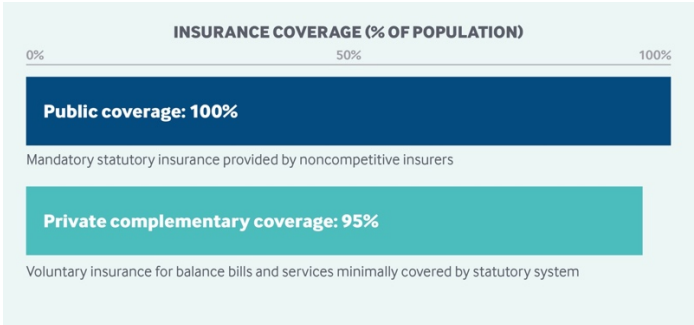
Source: Common Wealth Fund

### Exhibit 4: Insurance Coverage in Germany



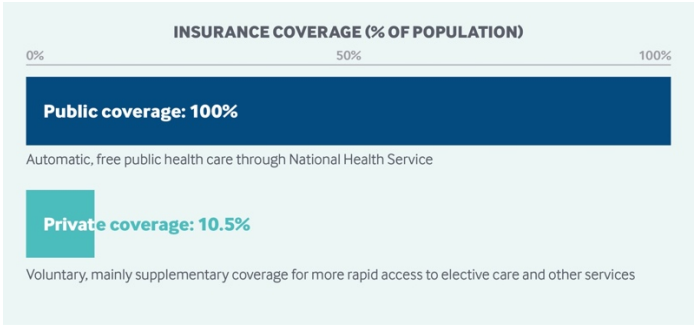
Source: Common Wealth Fund

### Exhibit 5: Insurance Coverage in France



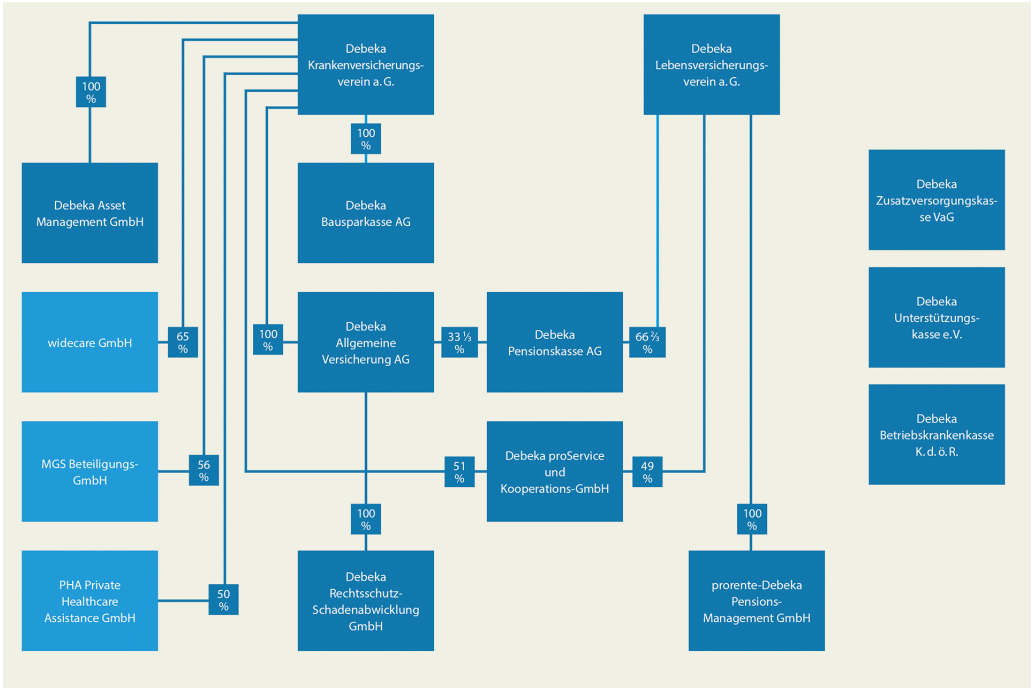
Source: Common Wealth Fund

### Exhibit 6: Insurance Coverage in the UK



Source: Common Wealth Fund

Exhibit 7: Debeka's corporate structure



Source: Debeka

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