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8

SAMURAI AND NINJA

Ambidexterity @ AXA Konzern AG

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8.1 Introduction

What do Japanese warriors and traditional organizations with more than 100 years of company history have in common [1]?

In the 16th and 17th centuries, Ninja warriors, as open-minded to new experiences warriors, were associated with the term “agility”; whereas Samurai combatants, stable and reliable armed forces, were correlated with the term “stability”. The ambidextrous management of both Ninjas and Samurais were the recipe for success for Japanese armed forces to win crucial battles or fend off enemies [1]. Samurais and Ninjas were equally vital for the Japanese combat units in order to win their decisive battles.

About 500 years later, organizations find themselves in similar situations as Japanese warriors: nowadays, it is crucial for traditional organizations to jointly maintain a stable environment (e.g. reliable and efficient IT), as well as being able to implement new innovations (e.g. state-of-the-art technology). They need to be ambidextrous (e.g. from the Latin ambi- “on both sides” and -dexter “right-handed”)¹ in order to simultaneously master both Samurais and Ninjas with contrasting strategies, processes, values and attitudes. Ambidexterity puts the company in the position to overcome disruptive innovations, to ensure survival, to sustain agility or – in other words – to gain additional power [2]. However, ambidexterity does not solely emerge on enterprise-wide level. Ambidexterity also occurs on different levels within an organization, e.g. on business unit, department or functional level, namely within IT (as IT ambidexterity) or within IT functions (as bimodal IT). Henceforth, IT ambidexterity and bimodal IT are also important organizational building blocks that contribute to the overall business success.

The fourth – IT/digital driven – industrial revolution forced organizations to step up the pace of change [3]. Thus, it is not surprising that industry in particular the information-intensive industry – as first movers and pioneers when it comes to introducing new IT and digital applications – is affected by this development. As of today, companies in many industries could not keep up with the digital development, e.g. photography and newspaper [4,5]. Besides photography and newspaper, digitalization has left its mark on other industries. Therefore, it is only a question of how and in which way the other industries, notably the insurance industry, are and will continue to be affected by this development.

Ambidexterity research has already investigated the paradoxes and the nature of ambidexterity in IT transformation programs [6], how IT ambidexterity impacts organizational agility [7] and also how the role of IT agility and IT ambidexterity supports digital business transformation [8]. They identified the six ambidexterity areas: (1) IT portfolio decisions, (2) IT platform design, (3) IT architecture change, (4) IT program planning, (5) IT program governance and (6) IT program delivery. Furthermore, they demonstrated that IT ambidexterity enhances organizational agility by facilitating operational ambidexterity which, in turn, depends on the level of environmental dynamism. Lastly, they confirmed that IT agility positively influences the IT function's digitization support, whereas IT ambidexterity has a moderating effect on this relationship.

Interestingly, the way that organizations deal with Samurais and Ninjas (respectively Samurai IT and Ninja IT) in present times has not been addressed yet. Therefore, this explorative case study conducted at AXA Konzern AG in Germany aims to shed more light on the current situation. Furthermore, the objective of this research is to explore how traditional organizations with more than 100 years of company history, such as AXA Konzern AG, deal with ambidexterity, IT ambidexterity and bimodal IT in order to overcome disruptive innovation and sustain the organizational success.

The German AXA Konzern AG is the local unit of AXA S.A. – “the AXA Group”. Headquartered in Paris, France, the AXA Group is among the largest insurance companies worldwide with about 107 million clients and approximately 165,000 employees. Based on its 150 years of history, AXA Konzern AG has already faced many technological challenges and has, so far, successfully mastered all of them. However, now being confronted with digitalization, disruptive innovations, insurtechs and its own digital and agile transformation, AXA Konzern AG has started its own journey in how to handle these opportunities and potential threats. This chapter describes ambidexterity, IT ambidexterity and bimodal IT in AXA Konzern AG's business strategy, IT strategy and the corresponding exploitative and explorative initiative examples to overcome all the current hurdles.

The remainder of the chapter is organized as follows: Section 8.2 presents the theoretical background. The nature of the case of AXA Konzern AG is introduced in Sections 8.3 and 8.4. Conclusion, discussion and directions for future research close this contribution and can be found in Section 8.5.

8.2 Theoretical background

8.2.1 Disruptive innovation

According to Christensen's theory [9], disruptive innovation is defined as a process in which small companies/start-ups with few resources challenge established incumbent organizations (often with more than 100 years of company history) by focusing on their neglected less-profitable business segments. In doing so, the intruders are succeeding in this segment by offering appropriate products, services or functionalities at mostly lower prices. In contrast, sustained innovation describes the introduction of new innovations/technologies which upgrade or improve existing products or services for mainstream markets of specific organizations [10,11].

Christensen's theory also describes the response and corresponding recommendations for incumbents caused by the emergence of disruptive innovations. At first glance, new technology investments appear not very interesting for traditional organizations because

these investments are just attractive for a limited number of customers and not alluring for the mainstream market. Therefore, incumbents rarely invest in these brand new technology trends. Yet, it goes even beyond this; these organizations have such deeply entrenched management processes that disruptive innovation investments will be automatically rejected [9,12]. This puts traditional organizations at risk of “simply oversleep” new trends, products, services and technologies.

Christensen and Overdorf [10] recommend three strategies for established incumbent organizations to overcome this detriment and to foster breakthrough innovation and technologies: first, creating new organizational structures within corporate boundaries in which new processes can be developed; second, spinning out an independent organization from the existing organization and, third, developing new processes by acquiring new disruptive intruders and start-ups.

8.2.2 *Ambidexterity*

The roots of ambidexterity can be found in organizational theory. Generally, (organizational) ambidexterity describes the ability to combine two opposing components, respectively the competence to simultaneously track the two disparate objectives: the exploration of new possibilities and the exploitation of old certainties [13,14,15]. Exploration describes the ability to combine (existing) skills and resources in a new way to generate new competencies and opportunities. Attributes such as risk taking, experimentation, play, loosely coupled systems, path breaking, flexibility, discovery, innovation, emerging markets and technologies are associated with this term. Conversely, mechanical structures, tightly coupled systems, path dependence, routinization, control, bureaucracy, stable markets and technologies function as idioms for exploitation. Thus, exploitation indicates the efficient usage of existing resources and capabilities through known processes [2,8,15]. Summarized in the popularized words by March [15,5]: “The essence of exploitation is the refinement and extension of existing competencies, technologies and paradigms. ... The essence of exploration is experimentation with new alternatives”.

8.2.3 *IT ambidexterity, bimodal IT and digital ambidexterity*

Ambidexterity does not only exist on organizational-wide level, but also occurs within IT departments. Consequently, IT ambidexterity describes “the ability of firms to simultaneously explore new IT resources and practices (IT exploration) as well as exploit their current IT resources and practices (IT exploitation)” [7, p. 398]. IT exploration focuses on the ability to put emerging IT trends, methodologies and skills into practice with the aim of entering new product-market domains. In contrast, IT exploitation comprises the ability to implement such up-coming trends into the existing IT assets with the aim to improve their organizational effectiveness and efficiency. Evidently, the focus on IT ambidexterity – the joint consideration of Ninja IT and Samurai IT – within an organization is more promising in terms of enterprise performance, compared to just focusing on one of the two elements within an organization [2].

Today, IT ambidexterity, especially as IT function, is discussed in organizations and media as “bimodal IT”. This term and concept of IT division was designed and popularly introduced by Gartner at the end of 2012 [16] (Table 8.1). In line with the definitions of ambidexterity and IT ambidexterity, Gartner [17, online] describes bimodal IT as

“the practice of managing two separate but coherent styles of work: one focused on predictability, the other on exploration. Mode 1 is optimized for areas that are more predictable and well-understood. It focuses on exploiting what is known, while renovating the legacy environment into a state that is fit for a digital world. Mode 2 is exploratory, experimenting to solve new problems and optimized for areas of uncertainty.”

Table 8.1 Characteristics of traditional and digital IT [adapted from 18]

	<i>Exploitation (Traditional IT, Mode 1, Industrial IT, Core IT)</i>	<i>Exploration (Digital IT, Mode 2, Agile IT, Fast IT)</i>
Goal	Stability	Agility and speed
Culture	IT-centric	Business-centric
Customer proximity	Remote from customer	Close to customer
Trigger	Performance and security improvement	Short-term marked trends
Value	Performance of services	Business moments, customer branding
Focus of services	Security and reliability	Innovation
Approach	Waterfall development	Iterative, agile development
Applications	Systems of record	Systems of engagement
Speed of service delivery	Slow	Fast

As anticipated, two opposing bimodal IT components – traditional IT and agile IT – can also be found in IT departments. Thereby, traditional IT and agile IT can be classified into four different archetypes of bimodal IT (always depending on e.g. the organizational set-up, the IT department structure and agile transformation status within the organization) – (1) project-by-project bimodal IT: approach which describes bimodal IT on project-based level; (2) sub-divisional bimodal IT: concept that structurally subdivides the IT function into the two distinct groups of agile IT and traditional IT; (3) divisionally separated bimodal IT: approach that establishes the agile IT function completely outside of the traditional IT function and (4) reintegrated bimodal IT: concept which describes an already established bimodal IT and currently yields the benefits of the agile IT and traditional IT split [19].

However, in times of digitalization and digital transformations, ambidexterity becomes digital ambidexterity. Henceforth, digital ambidexterity encompasses the equilibrate application of digital exploration and digital exploitation, in terms of agility vs. stability, short-term vs. long-term IT investments and digital innovation vs. manufacturing philosophy [20].

8.3 The case of AXA Konzern AG

8.3.1 Data collection

The purpose of this explorative case study was to investigate the Samurais and Ninjas (respectively Samurai IT and Ninja IT) within its real-life context. Furthermore, we wanted to gain a better understanding of this emerging “ambidexterity phenomenon”, to gather new theoretical insights and to generate new ideas and hypotheses [21]. Common sources of evidence in doing exploratory case studies comprise direct observations, interviews, archival records, documents,

Table 8.2 Primary and secondary research resources

<i>Primary sources</i>	<i>Secondary sources</i>
Websites: e.g. www.axa.com; www.axa.de	Gesamtverband der Deutschen Versicherungswirtschaft (GDV – General Association of the German Insurance Industry)
Twitter Accounts: e.g. @AXA; @AXADeutschland; @AXALab	Newspaper: e.g. Koelnische Rundschau (Germany); Landbote (Switzerland); Sueddeutsche Zeitung (Germany); Koelner Stadtanzeiger (Germany)
Books: e.g. Desaegher, C. 1995. The History of AXA, Levallois: HM Editions, France; Couwez, M.-C. and Ganong, P. 2002. AXA – Diary of a Journey, Group AXA, Paris, France	Specific finance- and insurance-related information: e.g. Experten Report für Versicherungs- und Finanznachrichten (expert report for insurance and financial news); IT Finanzmagazin – Das Fachmagazin für IT und Organisation bei Banken, Sparkassen und Versicherungen (IT Finanzmagazin – The Specialist Magazine for IT and Organization at Banks, Savings Banks and Insurance Companies); Versicherungsmagazin (Insurance Magazine); Versicherungswirtschaft heute (Insurance Industry Today)
Presentations: e.g. Ambition 2012 – Investor Conference; Ambition 2020; Ambition 2020 – Media Conference; Unternehmenspräsentation	
Annual Reports: e.g. Annual Report 2016	
Youtube Videos: e.g. Interview with AXA’s CIO	

participant observation and physical artifacts [22]. Therefore, the research that was conducted at AXA is mostly based on direct observations, as well as publicly and AXA-internally available information in the form of the following primary and secondary sources (Table 8.2).

8.3.2 AXA S.A. and AXA Konzern AG

AXA S.A. – “the AXA Group” – is a French multinational insurance and financial services company. Since 2008, AXA has been among the first insurance brands worldwide with operating primarily in regions in Western Europe, North America, Asia Pacific and Middle East. AXA’s operational and core competences are life and savings insurances, property-casualty (non-life) insurances, as well as asset management. In 2016, the AXA Group was present in 64 countries, had 166,000 employees worldwide, served 107 million clients and generated total revenues of €100,2 billion.

Headquartered in Cologne, AXA Konzern AG is a major insurance and financial services company in Germany. Originally founded in 1893 as Kölnische Feuer-Versicherungsgesellschaft (commonly known as Colonia), AXA Konzern AG’s history has been formed by several important mergers and acquisitions, especially in the last 30 years. First, the former Colonia was merged with Nordstern (1990) and Albingia (2000). It is worth noting that even before these mergers, Nordstern and Albingia already had more than 100 years of their own history. Second, as a response to the German reunification in 1991 and the increasing convergence within Europe, Colonia formed a new holding structure with the Colonia Konzern AG as the German holding in 1991. In 1993, the majority shareholder was the French Stat Union des Assurances de Paris (UAP). In 1997, with the acquisition of UAP by AXA S.A. (“the AXA Group”), Colonia joined one of the largest insurance and financial services companies in the world – now known as AXA Colonia Konzern AG. Since September 2001, the company has

been known as AXA Konzern AG. With the acquisition of DBV-Winterthur in 2009, AXA Konzern AG has significantly strengthened its position in the German insurance market.

Today, AXA Konzern AG is among the fifth largest insurance and financial services organization in its home market of Germany. By the end of 2016, AXA Konzern AG achieved a consolidated net profit of €545 million and underlying earnings of €569 million. In the same year, AXA employed about 9,400 employees in Germany.

8.3.3 Characteristics and challenges of the insurance industry

Selling insurance contracts and financial services are clearly not include physical products; thus, almost everything at AXA Konzern AG revolves around intangible products. Thereupon, the insurance sector embodies very well-developed information processing capabilities and is considered as an information-intensive industry [23,24]. The higher the information intensive industry, the more important is for information processing to business success and the more dependent these organizations are on IT [25,26]. Consequently, industries with high information-intensive processes are particularly affected by IT developments, and, thus, by digitalization and digital transformation – as already pointed out in the introduction. According to the Gesamtverband der Deutschen Versicherungswirtschaft (GDV – General Association of the German Insurance Industry), the insurance sector is currently determined by the following three main characteristics and challenges:

- **Insurtechs:** New technological developments such as big data, cloud computing and internet of things (IoT) provide ample possibilities to offer (new) insurance services, products and technologies. Newly founded small companies and start-ups – so-called insurtechs – are taking advantage of using these recent opportunities. In doing so, insurtechs, with having just a small administration, are succeeding by offering appropriate insurance functionalities, products and services quicker and at mostly lower prices [27]. While originating in low-end or new-market footholds and do not targeting on mainstream customers until quality reaches their standards, insurtechs fulfill the criteria of being described as a disruptive innovation for the insurance sector [11].
- **Changed customer behavior:** Changed technological developments lead to changed customer behavior. The communication between customer and insurance company via electronic interaction channels (e.g. smartphones, tablets, Facebook and Twitter) has greatly increased in recent years. In order to remain accessible to their customers, insurance companies must be able to keep pace with these rapidly evolving technological developments [28].
- **Volatile markets and low interest rates:** Insurers, which have to manage and profitable invest high amount of customer deposits, are affected by these capital market developments. Profitable sources of revenues in the form of share earnings, dividends and interest rates have been eliminated. Henceforth, insurers need to find new (secure) investment opportunities for customer funds in future.

Moreover, the Gesamtverband der Deutschen Versicherungswirtschaft also reported that the German insurance industry is also particularly affected by the following two current trends:

- **Demographic change in Germany:** Medical progress, healthier lifestyle, rising prosperity and better human working conditions are increasing the average life expectancy of the German population. Henceforth, this affects also the insurance customer structure

in terms of e.g. higher customer average age and the associated higher costs. This is increasing the importance of the market segment “seniors”.

- Extensive legislation and regulatory frameworks: Germany is regarded as a much regulated country. Thus, strict legislation and several regulations from the Bundesaufsicht für Finanzdienstleistungen (BaFin – German Federal Financial Supervisory Authority) as well as detailed regulatory framework such as VVG-Reform, BGH and BVerfG rulings, IFRS, Solvency II and EU Mediator Directive determine their day-to-day insurance operations.

8.3.4 IT @ AXA Konzern AG

The AXA Groups and AXA Konzern AG’s digital and IT transformation is very much supported and driven by the global and local CEO and CIO. The importance of IT, and therefore the role of the CIO within AXA, is a role which reports directly to the CEO, as with other members of the c-suite. Responsible for approximately 700 IT and digital employees, the CIO manages an IT landscape and IT systems for about 9,000 users within Germany.

As in many IT departments of large and traditional organizations, also the IT at AXA Konzern AG also faces the conflict of “efficiency vs. innovation”: IT needs to ensure stable and robust operations, continuous efficiency improvements and digital change implementations. Previously, topics such as hardware, licenses for standard software (e.g. Microsoft Office, SAP) and purchases of individual software through service contracts dominated the IT departments. Today, application platforms provided by cloud providers, software licenses being replaced by software-as-a-service (SaaS) and custom software developments being developed by local product teams, are the day-to-day CIO concerns. To ensure IT efficiency and IT effectiveness, innovation and stability, AXA Konzern AG is currently driving its own agile transformation. In the agile transformation, various IT teams – predominantly software development teams – are being transformed from the traditional to the agile way of working. The focus of agile teams changed from end-to-end processes and strict release cycles to on-going implementations to allow IT to “respond to business needs with incremental and frequent changes in a speed as fast as every two to three hours.” Initially, it was planned that about 50% of the IT teams will work in agile mode by 2020. With the appointment of the new CIO, this transition accelerated. The target is to establish a product- and customer-oriented organization by Q1 2019, adopting the agile way of working – where reasonably possible – of more than 50%. Thereby, the exact percentage of teams working in agile mode by Q1 2019 is not predefined yet; it will be the result of a bottom-up process involving all IT staff, the consideration of strategic and extrinsic factors, as well as core beliefs, intrinsic factors and the constraints of the individual teams.

Being currently in the middle of its own agile transformation, AXA Konzern AG’s IT can currently be classified in the archetype “Subdivisional Bimodal IT”. Henceforth, its IT function is presently structurally subdivided into two distinct groups: one operates in traditional mode, the other one in agile mode [19]. Consequently, finding the right balance in terms of departmental organization, managerial attention, strategic focus, monetary investments and skilled employees between Samurai IT and Ninja IT is a major challenge in these times. As well as other information-intensive financial services organizations (e.g. ING in the Netherlands), AXA Konzern AG expects to set aside rigid structures in order to develop into a more flexible organization through the introduction of agile teams. To get the maximum out of the agile transformation, not only IT teams but also the company-wide business teams – if applicable – will gradually switch to the agile way of working. Henceforth, the demand management entities, comprising business owners and business consultants of the IT-interfacing entities, will be part of the new product- and customer-oriented organization. Whether AXA

Konzern AG operates in future in one of the bimodal IT archetype quadrants or rather in a unimodal or a multimodal IT function model will indicate further IT function developments.

8.4 Ambidexterity @ AXA Konzern AG

As already indicated in the introduction, ambidexterity, IT ambidexterity and bimodal IT and their corresponding explorative and exploitative initiatives currently of particular interest of present times. Therefore, many companies have anchored these matters into their strategic plans in order to appropriately target and manage them. Although it is argued that organizations need a standalone digital transformation strategy [29], the reality appears rather different. Business strategy and IT strategy, especially in traditional organizations with more than 100 years of company history, are still two distinct – albeit intertwined – strategies. However, the four key decisions for digital transformation strategies (use of technologies, changes in values creation, structural changes and financial aspects) are usually covered by today’s business and IT strategies. This is also the case at the AXA Group’s, respectively AXA Konzern AG’s, business strategy plan (named “Ambition 2020”) and IT strategy plan. Even when both strategic plans have different objectives, both plans clearly indicate the digital transformation key decisions, as well as ambidexterity and their explorative and exploitative components.

8.4.1 Ambition – AXA’s business strategy

Studying AXA’s major strategic plans “Ambition 2012”, “Ambition 2015” and “Ambition 2020” shows that – besides some smaller local strategic initiatives – these three strategic plans have dominated AXA’s development over the last 15 years. Ambition 2012, Ambition 2015 and Ambition 2020 are global strategic initiatives and, thus, have been initiated by the AXA Group. Needless to say, these strategic plans and the corresponding strategic targets have been filtered down to all subsidiaries.

Therefore, all strategic plans also impact the local units, including the German AXA Konzern AG.

First, Ambition 2012, as AXA Group’s first communicated strategic plan, was introduced in 2004. Ambition 2012 pursued two fold with financial and non-financial targets on the one hand, financial goals such as doubling revenues and trebling underlying earnings over the period 2004–2012; and, on the other hand, non-financial targets such as becoming the industry’s preferred company for shareholders and employer of choice for its employees, as well as increasing customer centricity for its clients. Several initiatives were undertaken to accomplish these goals, namely the acquisition of the Swiss Winterthur Group in 2007.

Second, Ambition 2015, published in 2012, listed all targets that AXA should reach by 2015. Due to customers’ fundamentally changing behavior, Ambition 2015’s official main focal point was to “becoming a leading digital insurance company with a physical network to build a differentiated customer experience”. The following five pillars of Ambition 2015 have been defined to achieve this aspiration: (1) selectivity – spotlighted on portfolio restructuring and growth positioning in mature markets; (2) acceleration – consisted of selective investments in high growth markets, e.g. Asia; (3) efficiency – focused on overall financial targets; (4) trust and achievement – targeted the stakeholder through e.g. brand management and finally (5) achievement and customer centricity – focal pointed customers, especially in mature markets, as well as fundamental structural changes, e.g. restructuring IT, creating synergies between all networks and modernizing distribution networks.

Third, whereas the main focus of Ambition 2015 was on selectivity, acceleration and efficiency, Ambition 2020 clearly spotlights the customer needs in a challenging economic environment. AXA seeks to create more and new ways for customer interaction via fast and simple multichannel processes and new innovation ecosystems, while the customer experience with insurance should be revolutionized. In order to achieve these ambitious targets, AXA has formulated the strategic targets based on the two pillars “Focus” and “Transform”. First, the exploitative pillar Focus strives for sustainable growth and robustness, in continuity with Ambition 2015. Therefore, AXA is going to invest in selective growth areas such as health, protection and P&C commercial lines which also require more frequent customer contacts and allows the insurer to get closer to the customer. Active capital management is to balance the internal growth needs of the company to further increase the cash flows and the shareholder return in the form of dividends and to maintain a robust financial structure. Second, the explorative pillar Transform encompasses AXA’s development from a pure insurance provider, or simply a “bill payer”, toward a partner to its customer. This future-oriented pillar regarding AXA’s digital transformation includes the key messages: new customer experience (B2B2C, new services, digital), from payer to partner (innovation, prevention, care) and adapt capabilities (e.g. engagement, employee training and employee recruitment) as well as shift the portfolio mix in order to reduce the financial risks and diversify towards technical risks. Henceforth, as already indicated by the pillar’s name, Focus clearly focuses on securing AXA’s stability, whereas Transform spotlights on AXA’s agility and transformation.

As already indicated in the introduction, ambidexterity – the simultaneous management of Ninjas and Samurai – is becoming increasingly important in companies. As can be seen in AXA’s three strategic plans, AXA ascribes much attention to this topic. While in Ambition 2012, the targets were formulated rather hazily; the future aims in Ambition 2020 have been clearly specified: AXA must take targeted actions to ensure its stability and agility in the rapidly changing world. In fact, successfully managing AXA’s ambidexterity is AXA’s current business strategy, named Ambition 2020.

8.4.2 Explorative and exploitative business initiatives

Various explorative (referable to the pillar Transform) and exploitative (referable to the pillar Focus) initiatives have emerged as an outcome of Ambition 2020. Through these initiatives, AXA has put its strategy into action in order to strengthen the organization and to promote its digital transformation. “NWOW,” which represents the exploitative initiative, as well as “AXA Innovation Campus”, which symbolizes the explorative initiative, is presented below in more detail.

First, “New Way of Working” (NWOW), an already proven and successfully implemented scheme at many young and innovative firms, was implemented as an exploitative initiative of AXA Konzern AG in 2017. NWOW encompasses, among other things, an open-space concept for all offices and buildings as well as desk-sharing. Therefore, all German offices are in the process of being rebuilt according to the open-space concept and will be divided into five different zones: “all in one” (standard work zones), “communication” (communication and meeting areas), “regeneration” (creative space and relaxation zones), “organization” (work equipment in one place) and “concentration” (quiet work areas). The classic office will disappear. There will no longer be single work places – even for members of the board. Employees are not tied to a specific work place anymore and will be encouraged to exchange interdisciplinary. Furthermore, employees are allowed to make use of zone number six: “work@home”. They can spend up to two days a week in their home office and will be equipped accordingly so they can work at home.

AXA Konzern AG expects a more agile corporate culture, increased project work, more innovative ideas, faster decision-making, more employee self-responsibility and increased interdisciplinary cooperation from NWOW – the latter especially between business and IT.

Second, insurtechs – as agile, flexible, cost-efficient and customer-oriented providers of insurance services – are the opposite of traditional and long-established insurance organizations. Consequently, insurtechs are substantial challengers and disruptive innovators within this industry. This has also been recognized by AXA Konzern AG. Following Christensen's [10,11] recommendation strategies (creating new organizational structures within corporate boundaries in which new processes can be developed, spinning out an independent organization from the existing organization, and developing new processes by acquiring new disruptive intruders and start-ups) to overcome such detriments, one of their approaches to face this challenge was the foundation of "AXA Innovation Campus" in 2015. In the name of AXA Innovation Campus, AXA Konzern AG promotes and cooperates with start-ups that develop and offer insurance-related products and services, namely in the field of e-health, lead generation, big data, mobile and retirement planning. AXA Konzern AG promotes start-ups by investing capital and providing insurance benefits, as well as offering its infrastructure, such as customer and sales network and employee expertise. Two of the latest examples supported by AXA Innovation Campus are the recently founded start-ups Nello and Optionspace. Nello upgrades existing intercom systems with WLAN features and, thus, front door activities can be handled via smartphone app. Optionspace offers via online platform free office spaces which can be rented on a flexible basis with a minimum rental period of just one month. AXA Konzern AG supports both start-ups with corresponding insurances.

AXA Innovation Campus' aim is to identify, develop and manage innovative ideas within the insurance industry, to invest in compelling ideas and to participate in their development and scaling, thereby transferring the knowledge and culture from start-ups to AXA and their employees and to organize and emphasize its innovation strengths. Among other innovation initiatives, AXA Konzern AG has founded AXA Innovation Campus to spot innovative ideas that could generate added value for customers. Developing innovative ideas during daily business is highly restricted due to AXA Konzern AG's employees' time constraints. Thus, start-ups, which AXA Konzern AG has recently targetted/pigeon-holed as (einsortieren) potential eligible candidates, have developed e.g. an application which tracks lost motor vehicles, boats and busses in the internet by using artificial intelligence; a software package which translates linguistic content into mathematics; a software package which can answer any kind of questions and a claims management tool which can automatically calculate damage totals based on photos.

However, even when NWOW and AXA Innovation Campus are so-called business initiatives supporting AXA Konzern AG's current business strategy, their IT dependency is obvious: NWOW is currently being implemented, among other things, to overcome the local separation – and with it the associated "silo thinking" – between business and IT and should actively promote this cooperation. Moreover, AXA Innovation Campus does not only promote start-ups with the business focus; but, as can be derived from the examples mentioned above, mostly start-ups which develop software or similar technical applications and those then arouse interest to be implemented at AXA Konzern AG IT department in the long run.

8.4.3 Big Bets – accelerating AXA's IT strategy

In 2013, the AXA Group released a new IT strategy to support AXA's digital transformation. This new IT strategy consists of six pillars: (1) partnership – comprises the boundary dissolvability between business and IT and within IT, (2) fast IT – encompasses topics such as

innovation and co-location, (3) core IT – includes the modernization of AXA’s core systems, (4) cost efficiency – discusses all cost-saving activities, (5) data – consists of all data-related activities and finally (6) security – contains all IT security topics to be handled by business and IT. Relatively parallel in time, AXA launched the “Big Bets,” an implementation strategy and implementation concept to accelerate the new IT strategy. Big Bets should put the IT strategy into action. The six Big Bets, each referring to one or more IT strategy pillars, are characterized as follows:

- Big Bet 1 – Fast IT: The first Big Bet comprises all activities regarding fast IT, such as the introduction of sharing knowledge, innovations and assets between all developers working worldwide for AXA, the implementation of new concepts such as agile development, co-location and pair programming and the usage of public clouds whenever possible.
- Big Bet 2 – Data management: The second Big Bet examines all management activities including data; namely the data management of analytical data (e.g. customer data, needed to identify cross-selling activities to customers) and operational data (e.g. financial data, needed for year-end closing).
- Big Bet 3 – Cost efficiency: The third Big Bet drives cost optimization realized through the two sub-initiatives: Big Bet 3a – de-duplicating systems which are not close to the business (e.g. reducing the number of document storage software and systems) and Big Bet 3b – moving all possible infrastructure to the cloud.
- Big Bet 4 – Core IT systems: The fourth Big Bet comprises all future activities including AXA core IT systems, namely investing in the best available systems and software on the market for all insurance core procedures.
- Big Bet 5 – Operating model: The fifth Big Bet targets the re-organization of AXA’s IT operating model. The current IT operating model has been in place for about 12 years. Due to the digital development, it is time to re-structure the IT operating model to be prepared for all future challenges and themes.

Comparable to AXA’s business strategy, ambidexterity also becomes apparent in AXA’s IT strategy and in the Big Bets – represented in core IT (pillar 3 and Big Bet 4) and fast IT (pillar 2 and Big Bet 1). On the one hand, these concepts should secure AXA’s daily operations, and, on the other hand, these should guard AXA’s future adaption at the same time.

8.4.4 Explorative and exploitative IT initiatives

The Big Bets should accelerate AXA’s IT strategy. Thereby, it is a program which has been introduced on group level, but which should help the local entities to transform their IT and all related processes and structures in order to successfully master the digital transformation. Every local entity – often in collaboration with the AXA Group – has enforced its own initiatives to implement the Big Bets. The “COR.FJA Life Factory,” representing the exploitative initiative as a part of Big Bet 4 (core IT systems), and the “Data Innovation Lab,” which illustrates the explorative initiative as part of Big Bet 2 (data management), are presented in more detail.

First, as already mentioned earlier, AXA Konzern AG has emerged from a wide range of mergers. The mergers of the former insurance firms Concordia, Nordstern, Albingia, Colonia, UAP and Winterthur have formed the AXA Konzern AG of today. All insurance companies have been involved in AXA Konzern AG’s development; in particular, AXA Konzern AG’s current IT. Comparable to other big and traditional organizations that emerged from several mergers, AXA Konzern AG has also a very heterogeneous IT [e.g. 30].

The reasons behind this heterogeneous IT can be found within the AXA Konzern AG's IT integrations. Despite the recommendation, a complete IT integration was not performed with every merger due to cost and time saving [e.g. 31,32]. Henceforth, AXA Konzern AG's wide range of mergers with partial and marginal IT integrations has led to a diverse IT. To overcome this heterogeneous IT for the life insurance sector, AXA Konzern AG has started to implement the new central management platform "COR.FJA Life Factory". This five-year project encompasses COR.FJA Life Factory implementation, as well as the transfer of all existing insurance contracts and policies from the old life sector IT systems to the new platform. Thereby, the new IT platform will replace the "smorgasbord" of all current life sector IT systems. Henceforth, this exploitative initiative – the unified IT platform – is the foundation for a more efficient and digital business model of AXA Konzern AG's life sector.

Second, "insurance is at its core a construct of data and models...". Thus, the topic "data" itself and all data-related topics, namely analytics, are of great importance in insurance companies – so, naturally, also for the entire AXA Group and the German AXA Konzern AG. Thereupon, AXA Konzern AG founded the "Data Innovation Lab" in Cologne in 2017 to transfer all data-related topics, such as analytics, big data, artificial intelligence and machine learning, into the insurance world. Thereby, AXA Konzern AG chose to build a dedicated lab for all data innovations because these units are set up with a mandate to coordinate the development of ideas and support the scaling-up of the most promising ones [33]. Within its Data Innovation Lab, AXA Konzern AG focuses on innovation in data storage and data analysis. As usual in such labs, AXA Konzern AG dispenses large project teams and fixed structure and prefers to rely on agile methods. Employees from a wide range of business sectors work together in interdisciplinary teams in vitreous conference rooms and open-space offices. Altogether, this is the third Data Innovation Lab of the entire AXA Group – following Paris and Singapore. Later on, it is planned on global level that the Data Innovation Lab will be part of REV.

However, even when the COR.FJA Life Factory and the Data Innovation Lab are IT-driven initiatives, the entire business nevertheless benefits from these investments. The COR.FJA Life Factory has not only been implemented to update the current IT landscape; with the COR.FJA Life Factory the business departments are able to offer new insurance contracts and new insurance solutions for the life sector. Offering digital insurance contracts would not have been possible with the old IT systems. Moreover, the Data Innovation Lab enables the business department to evaluate the existing data (e.g. client data) in order to develop new business ideas and create new business segments.

8.4.5 Outsourcing – current activities of AXA Konzern AG and the AXA group

Traditionally, insurers are organizations with an average in-house production depth of approximately 80–90%. Thereupon, the proportion of general outsourced production activities for insurance products is approximately 10–20%. In contrast, the in-house production depth within the automotive industry is on average less than approximately 25%, i.e. 25% or less of all products are assembled in-house, whereas 75% or more are produced externally through e.g. joint ventures. Consequently, the overall outsourcing ratio in the insurance sector is relatively low compared to other sectors, namely the automotive branch. On average, the duration of contractual outsourcing lasts three years or less. Outsourcing contracts within insurance organizations mainly refer to association work (e.g. with Gesamtverband der Deutschen Versicherungswirtschaft), networking and information exchange.

By virtue of their information-intensive character, IT outsourcing in particular plays an important role within insurance companies. IT outsourcing in the insurance sector, namely of IT

infrastructure, IT applications and IT services, is well established and has reached a high level of maturity. As of today, IT infrastructure outsourcing is one of the top IT outsourcing priorities within financial services organizations. Remaining relatively constant in most IT areas, only application development indicates an explicit trend toward more outsourcing in the future. Reasons for IT outsourcing have changed in the past years; while cost savings were the main target already a few years ago – and still are – today’s emphasis is focused on qualitative objectives such as focusing on the insurance core business. Furthermore, dynamic markets and innovative technology force the change of IT sourcing models. The (contractual) relationship between insurance company and IT service provider needs to be more flexible in design, changeable at short notice and easily replaceable. These changes are creating the prerequisites for e.g. the integration of cloud-based solutions in existing insurance IT application landscapes.

AXA anchored IT outsourcing as an important strategic pillar within its IT strategy and its Big Bets, particularly in Big Bet 3b and Big Bet 1. As previously described, Big Bet 3b encompasses cost efficiency by moving all possible infrastructure to the cloud (“IT infrastructure outsourcing”) and Big Bet 1 comprises all fast IT activities, namely IT innovation (“IT innovation sourcing”). IT innovation sourcing describes i.e. the increasing speed and impact of the adoption of technology-driven innovation in the organization by collaboration with innovative specialists. Consequently, ambidexterity in AXA’s IT strategy and the Big Bets also becomes evident while examining the Samurais and Ninjas of AXA’s IT (out)sourcing.

8.4.6 Explorative and exploitative outsourcing initiatives

Various initiatives have been introduced by AXA Konzern AG and the AXA Group to facilitate and speed up long-existing IT outsourcing activities, namely IT infrastructure outsourcing. Furthermore, several new IT sourcing initiatives, notably IT innovation sourcing, have been developed in order to strengthen AXA’s position within the market. Henceforth, IT infrastructure outsourcing (representing the exploitative initiative), as well as IT innovation sourcing (illustrate the explorative initiative) is presented in more detail.

First, as in other industries, many financial services companies also founded their own IT subsidiaries which have been running the entire or partial IT operations for their holdings and financial insurance groups. German insurance companies particularly outsource IT infrastructure components to their IT subsidiaries. Mostly, these holding internal IT service providers bundle all infrastructure components and activities of the entire insurance group within a few data processing service centers (worldwide). This enables stable and reliable multi-platform infrastructure operations, as well as – even more important – cost-effective IT processes.

In line with other European traditional insurance groups (e.g. Allianz, Generali), AXA Services, as IT subsidiary within the AXA Group, hosts AXA’s infrastructure and offers additional business application services, namely SAP services. In 2017, AXA Services employed about 4,000 FTE professionals in 15 countries worldwide, ranging from Europe, the United States to India. Thereby, depending on the particular IT application, AXA Services offers local and global services, whereas global services encompass 24/7 development and maintenance across all countries. However, AXA Services does not alone but in turn has outsourced several infrastructure operations to e.g. IBM. For instance, in this “infrastructure on demand” outsourcing service, IBM will provide on-demand mainframe, server and storage services and consulting to AXA Services, helping them to transform its data center and processes, reduce operating costs and also improve the service quality to its customers.

While the importance of infrastructure services is steadily declining in times of digital transformation, the significance of cloud computing services is dramatically gaining in

importance. Whether choosing a cloud-based provider for data storage or outsourcing to virtual infrastructure using SaaS, cloud computing is often easier and cheaper to maintain compared to traditional legacy systems. Furthermore, it often encompasses software and hardware including corresponding updates which in the long run save time and budget. Thereupon, in terms of infrastructure services, cloud computing provides a solid fundament for all agile modes of operation within the entire AXA Group and AXA Konzern AG.

Depending on the country's privacy policy, more and more of AXA's IT applications are being moved to the cloud. Consequently, the overall organizational outsourcing behavior is changing. Infrastructure applications are no longer outsourced to AXA Services, but instead infrastructure applications are outsourced to AXA's private or third-party cloud providers. Henceforth, this exploitative initiative of moving IT services, especially infrastructure applications, to the IT subsidiary AXA Services as well as the cloud focuses on cost optimization, as well as reliable, secure and future-oriented infrastructure provision for the entire AXA Group.

Second, since AXA's employees' capacity is used to run the daily insurance business, developing innovative ideas during working hours is highly restricted due to the staff members' time constraints. Furthermore – broadly speaking – traditional large financial services organizations, such as AXA, often have “a kind of dusty image” and, thus, cannot be classified as an innovation accelerator/pioneer. Their usual corporate innovation processes are often too costly, slow and inflexible. Thereupon, as suggested by Christensen and Overdorf [10], innovation and generating new ideas has to happen in a different environment or by acquiring new disruptive intruders and start-ups.

Yet, insurtechs and fintechs are considered as digital disrupters of the financial services industry. Due to their innovative nature, insurtechs are able to develop and implement new insurance ideas and solutions quickly and inventively. In IT innovation sourcing, AXA Konzern AG, as well as the AXA Group, wants to harness the power of innovations from insurtechs. Consequently, AXA is developing various explorative initiatives to support the collaboration with insurtechs and, thus, are planning to drive their own IT innovation.

In addition to the previously described AXA Innovation Campus, since 2015, the Group has been very active in the innovation space with the creation of various business units and the launch of new services to the benefit of the customers. AXA's innovation ecosystem, made of 7 dedicated units, is orchestrated by AXA Next.

- The start-up studio Kamet aims to create innovative entrepreneurs and companies in the insurance and asset management sector. Kamet supports those companies and entrepreneurs by supplying resources (advice, methods, structures and financing) in order to launch, incubate or build new partnerships.
- The fintech and insurtech specialized investment fund – AXA Strategic Ventures, endowed with 450 million Euro – invests in start-ups in the area of enterprise software, fintech, consumer tech and digital health around the world.
- AXA Partners helps corporate clients to enrich their customers' experience by implementing innovative global solutions in assistance services, specialized insurance and credit protection.
 - Global Enterprises management builds multi-faceted partnerships with out One AXA Enterprise Partners to drive Business-to-Business growth across all AXA assets in the AXA entities and lines of business.
 - Maestro Health is a technology-enabled employee health and benefits administration company on a mission to deliver better outcomes at lower cost.
 - AXA Emerging Customers makes insurance accessible, affordable and relevant to 4 billion low income to mass market customers who remain vulnerable to unforeseen events.

- AXA Climate helps communities and business tackle climate risks, with solutions combining parametric insurance (automated, data-driven), real-time alerting services and adaption services to climate change.

IT innovation sourcing – as explorative initiative – should help the AXA Group to accelerate IT innovation within the insurance business, provide new (IT) services and interaction possibilities with clients, as well as leverage acquisition for new products and offerings.

However, both illustrated sourcing initiatives – IT infrastructure and IT innovation outsourcing – concern both business and IT. IT infrastructure outsourcing to AXA Services and the cloud can be seen more as a pure IT initiative, but the business is stuck without secure, stable running and cost-effective IT systems. Selling insurance products without IT is impossible. Additionally, IT innovation sourcing can be considered as a mere IT initiative, but it also affects business since the insurtech cooperation should accelerate business and IT. However, both AXA's sourcing initiatives clearly demonstrate that business and IT cannot be seen as separate components anymore; they are intertwined and dependent on one another. Henceforth, also IT sourcing clearly forces AXA's business and IT units into one.

8.5 Conclusion, discussion and directions for further research

As well as other big European insurers, AXA Konzern AG has been forced by disruptive innovations and the digital transformation to rethink and restructure itself. Therefore, it is necessary to reorganize the unprecedented gap between exploitation and exploration and to manage the resulting ambidexterity accordingly. As extensively outlined in this conference paper, AXA Konzern AG tackles this challenge by concretely addressing ambidexterity, as well as the management of ambidexterity, in its business and IT strategy. Furthermore, several exploitative (e.g. NWOW, COR.FJA Life Factory, AXA Services) and explorative initiatives (e.g. AXA Innovation Campus, Data Innovation Lab) have been introduced to speed up AXA Konzern AG's digital transformation.

However, even when AXA Konzern AG is in the midst of the renewal process and its digital transformation journey is still on-going, the following academic research results are supported by this case: Gregory et al. [6, p. 76] stated that “the choice between IT efficiency and IT innovation is not an either-or decision but more a both-and decision.” True, both Samurais and Ninjas are needed to the master the digital innovation at AXA Konzern AG's. Furthermore, this case also examined and confirmed some of the sixth ambidexterity areas listed by Gregory et al. [6], such as IT portfolio decisions (e.g. IT efficiency vs. IT innovation), IT architecture change (e.g. IT integration vs. IT replacement) and IT program planning (e.g. IT program agility vs. IT project stability).

Yet, being currently classified in the archetype “Subdivisional Bimodal IT,” AXA Konzern AG's IT function is structurally subdivided into two distinct groups: one operates in traditional mode, the other one in agile mode [19]. Whereas in the traditional mode, business and IT usually operate in two different business units, in agile mode, business and IT generally work in integrated teams. Thereby, a business employee (the so-called product owner) is part of approximately ten members IT team. Within this team, the product owner is the person who knows the business requirements, who “translates” the business requirements into IT assignments, who manages the IT implementation orders and, thus, guides the entire IT team. As a consequence, the agile IT transformation does not only require an IT team reorganization from the traditional to the agile operation mode; the business teams also need to adapt their way of working accordingly, e.g. they need to appoint a product owner acting as “connector” between business and IT.

As this product owner example demonstrates, an IT function transformation using bimodal IT and operating in traditional and agile mode is not possible without the simultaneous business transformation. Presently, the aspect of “transforming the business function using bimodal businesses” [adapted from 19] has not been addressed yet.

As already mentioned in academic literature [e.g. 6] and also demonstrated in this case, digital transformations, the management of ambidexterity and bimodal IT, as well as the shift of an entire group to agile working methods, all exert considerable new demands on structures, processes and relational mechanisms of enterprise governance of IT [34]. As in most big organizations, IT is not equal to IT: there are different types of IT, namely global IT, local IT, agile IT, traditional IT and product-driven IT. Every IT function has its own IT systems, its own organization, its own employees and, thus, needs its own regulation to govern all activities. Nowadays, it is not sufficient enough simply to redefine the existing structures, processes and relational mechanisms of enterprise governance of IT. New forms of enterprise governance of IT have to be formulated, notably agile IT governance and traditional vs. agile operating IT governance. First, agile IT teams demand governance for collaboration within agile teams, but also in the context with the business department. Second, bimodal IT requires new forms of structured collaboration between agile and traditional IT teams, as well as interaction with the corresponding business department. Thereupon, this new partnership forces new definitions, structures, processes and relational mechanisms of enterprise governance of IT.

Furthermore, enterprise governance of IT is not only of particular importance within IT management and its related territories; enterprise governance of IT also plays a crucial role for the future design of business and IT alignment. Ambidexterity, IT ambidexterity, bimodal IT and the digital and agile transformation will significantly reduce, maybe even dissolve the split of business and IT. This development is also supported by the ever-increasing dispersion of IT (e.g. through mobile applications) into business segments. Thereupon, it will remain interesting as the future development of business IT alignment at AXA Konzern AG is created. Presently, this statement can be applied: “IT as a service provider was yesterday – joint business and IT teams are the future” [35].

Note

- 1 Oxford English Dictionary: Definition of “ambidextrous”; Retrieved 25.02.2018 at <https://en.oxforddictionaries.com>

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