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## **Sustainability as a key driver of innovation: a pedagogical case study of Fidelidade Group**

Daniela Alexandra da Silva Marques

Master in Management

Supervisor:

Professor Ana Margarida Madureira Simaens, Assistant Professor

Iscte – University Institute of Lisbon

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To my parents, I want to thank that, even though they are away, they are always present and always have a word of affection and encouragement. I will be forever grateful that they have worked so hard to provide me with the best academic training. Thanks.

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## **ABSTRACT**

Sustainability is an increasingly present topic in society's discussions, especially in younger generations. Through innovation, companies have a fundamental role in sustainability, having the power to contribute to a more economically, socially, and environmentally sustainable future. In this way, many companies have started to align their strategy with the objectives of sustainable development, in order to implement the 2030 Agenda. The present pedagogical case study focuses on the insurance sector, as it is one of the most important sectors for the economy and essential for the protection of people's lives. It focuses specifically on the Fidelidade Group, the market leader in Portugal and a reference in the insurance industry. Bearing this in mind, the pedagogical study case explores theoretical models of sustainable business and innovation-oriented sustainability, framing various innovation activities carried out by Fidelidade Group in the different phases of the innovation-oriented sustainability model presented by Adams et al. (2016). The objective is to illustrate how sustainability can be the main driver for innovation and to explore how the Fidelidade Group can, through innovation, become more sustainable.

**Keywords:** Sustainability; Sustainable Business; Corporate Social Responsibility; Innovation; Insurance.

**JEL Classification System:**

G22 - Insurance; Insurance Companies; Actuarial Studies

M14 - Corporate Culture; Diversity; Social Responsibility



## **RESUMO**

A sustentabilidade é um tópico cada vez mais presente nas discussões da sociedade, principalmente nas gerações mais novas. Através da inovação, as empresas têm um papel fundamental na sustentabilidade, tendo o poder de contribuir para um futuro economicamente, socialmente e ambientalmente mais sustentável. Deste modo, muitas empresas começaram a alinhar a sua estratégia com os objetivos de desenvolvimento sustentável, para a concretização da Agenda 2030. O presente caso de estudo pedagógico, foca-se no sector segurador, dado que é um dos setores mais importantes para a economia e essencial para a proteção da vida das pessoas. Centra-se em específico no Grupo Fidelidade, o grupo líder de mercado em Portugal e de referência na indústria seguradora. Tendo isto em consideração, o caso de estudo pedagógico explora modelos teóricos de negócio sustentável e de sustentabilidade orientada para a inovação, enquadrando diversas atividades de inovação realizadas pelo Grupo Fidelidade nas diferentes fases do modelo de sustentabilidade orientada para a inovação apresentado por Adams et al. (2016). O objetivo é demonstrar como a sustentabilidade pode ser o principal impulsionador para a inovação e explorar como o Grupo Fidelidade pode através da inovação tornar-se mais sustentável.

**Palavras-chave:** Sustentabilidade; Negócio Sustentável; Responsabilidade Social Corporativa; Inovação; Seguros.

**Sistema de Classificação JEL:**

G22 - Seguros; Companhias de seguros; Estudos Atuariais

M14 - Cultura Corporativa; Diversidade; Responsabilidade social





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## **LIST OF ABBREVIATIONS**

APP - Application

APS - Associação Portuguesa de Seguradores (*Portuguese Association of Insurers*)

ASF - Autoridade de Supervisão de Seguros e Fundos de Pensões Portuguese (*Insurance and Pension Funds Supervisory Authority*)

BdP – Banco de Portugal (*Portuguese National Bank*)

BST - Business Sustainability Typology

CAA - Centre of Advanced Analytics

CfT - Center for Transformation

GRI - Global Reporting Initiative

INE – Instituto Nacional de Estatística (*Statistics Portugal*)

IT - Information Technology

SDGs - Sustainable Development Goals

SIC - Sustainability Innovation Cube

SMS - Short Message Service

SOI - Sustainability Oriented to Innovation

WBCSD - World Business Council for Sustainable Development





## **INTRODUCTION**

The insurance area has a strong role in issues of social interest, such as the protection of people and goods or the savings management. As a result of that, it plays a key role in the economy, as it helps other people or companies to manage risk, avoiding risks that can result in economically unbearable losses. On the other hand, sustainability is a subject increasingly important in our nowadays society, being considered by the United Nations as one of the main challenges of today.

Thus, several scholars have studied this theme, focusing on how companies can contribute to sustainability, at an economic, social, and environmental level. One of the ways is innovation. The challenge for companies is to develop innovation strategies that respond to the needs and expectations, and, at the same time, justify the economic idea behind sustainability activities. So, this study case combines these two themes, analysing the strategy and main sustainable practices of Fidelidade Group, an historical leader group in the insurance market in Portugal. Accordingly, this study case is an opportunity for students to consolidate knowledge by analysing real and practical examples from the business context. The aim is to deepen their knowledge of the Portuguese insurance market, the Fidelidade Group and the concepts of sustainability, sustainable business and innovation-oriented sustainability, in order to understand how the Fidelidade Group, through its strategy, incorporates several different practices of innovation oriented towards sustainability.



## **I. CASE STUDY**

### **1.1. Problem Identification**

According to the United Nations, sustainability is recognized as one of the most important challenges of our time<sup>1</sup>. Thus, companies, governments, NGOs, and individuals, are increasingly concerned with the well-being of the people and the planet. In this sense and in general, we observe a greater awareness of society in relation to the sustainability of brands and products/services. Several clients are beginning to opt for alternative value propositions that meet their concerns, verified mainly in the younger generations (Deloitte, 2019). In fact, this pedagogical case study addresses corporate sustainability and sustainable businesses, demonstrating that companies can change their purely economic perspective, to also include a social and environmental perspective, in order to minimize their negative impacts.

Companies must understand how they can create a significant positive impact in critical and relevant areas for society and the planet. However, this growing concern with sustainability, gives rise to different lifestyles, which leads companies to rethink their strategy and find opportunities to innovate and launch new products. Accordingly, sustainability can be related to innovation and require a new positioning in the market, accompanied by the redefinition of the strategy. The present case study aims to understand how sustainability can be the main driver for innovation and to explore how can companies be more sustainable through innovation.

### **1.2. Insurance Industry Context**

Insurance activity attempts to answer one of the fundamental needs of humanity, which in the Maslow pyramid arises soon after the satisfaction of basic needs, the need for security in the face of risk and insecurity of the future. Insurance companies play a key role in the economy as they help other sectors to manage risk, thereby shifting risks that could result in unbearable losses to the economic viability of companies or individuals<sup>2</sup>.

In Portugal, on the authority of *Autoridade de Supervisão de Fundos e Pensões* (ASF), insurance is divided into two large groups called non-life or life, which are divided into several modalities that are further subdivided into sub-modalities, depending on the type of risk they cover. On the one hand, the non-life business includes all insurance that has object, property,

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<sup>1</sup> In *United Nations – What we do*. Available at: <https://www.un.org/en/sections/what-we-do/promote-sustainable-development/index.html> [Accessed November 25, 2019].

<sup>2</sup> Tower, I., & Impavido, G. (2009). How the Financial Crisis Affects Pensions and Insurance and Why the Impacts Matter. *IMF Working Papers*. <https://doi.org/10.5089/9781451872989.001>.

and personal insurance, except life insurance. These include insurance against accidents at work, personal accidents, health insurance, home, and mobility, among others. On the other hand, the life segment comprises life and financial insurance. Concisely, life insurance guarantees the risk inherent to human life, and financial insurance covers capitalization and savings products such as insurance linked to mutual funds, capitalization operations and retirement or student savings plans. Marriage and birth insurance are also an integral part of this business.

### **1.2.1. Industry Characterization**

According to INE, since 2013, Portugal has been recovering from the financial crisis that began in 2008. In 2018<sup>3</sup>, the Portuguese economy witnessed a real output growth 2,4%, and the fifth consecutive year of economic expansion. The impacts of the evolution of the national and international economic and financial environment positively affected the insurance market. Nonetheless, growth in economic activity in Portugal slowed compared to 2017, against a background of a general slowdown in the euro area in line with a deterioration in the global external environment associated with fears of a surge in protectionism. Total direct insurance production in the Portuguese market retained in 2018 a positive evolutionary profile of over 12,9 billion euros, which represents a growth of +11,8 % compared to the previous year.

Non-Life lines of business, traditionally more dependent on the evolution of economic activity and labour market, also saw a positive evolution in the production of direct insurance (+7,5%) thus witnessing the highest annual growth rate since 2004. The evolution of the Non-Life segment's overall result was even more significant and grew from 78 million euros in 2017 to about 177 million euros at the end of 2018. However, the evolution of the Life segment was undoubtedly still the main catalyst for the increase in the whole of this sector. In the opposite direction, the result of the Life technical account evolved and stood at 378 million euros (Table 1.1.).

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<sup>3</sup> Last available data at <https://www.apseguradores.pt/pt/> [Accessed November 28, 2020].

**Table 1.1. - Insurance Industry Major Aggregators**

	2015	2016	2017	2018
<b>Nr. of Companies</b>	79	73	73	76
<b>Nr. of Employees</b>	10 945	10 575	10 130	10 148
<b>Nr. of Brokers</b>	23 100	21 805	20 258	18 999
<b>Net Assets</b>	56 496	53 791	56 671	56 365
Investment Assets	53 921	50 602	53 245	52 807
<b>Own Funds (equity)</b>	5 168	5 389	5 955	5 339
<b>Direct Insurance Premiums</b>	12 664	10 876	11 580	12 942
Life Business	8 669	6 676	7 090	8 115
Non-Life Business	3 994	4 200	4 490	4 827
<b>Results for the Year</b>	344	82	344	466
Life Technical Account	508	128	436	378
Non-Life Technical Account	107	(9)	77	177
Non-Technical Account	(271)	(37)	(169)	(89)
<b>Equity / Net Assets</b>	9.1%	10.0%	10.5%	9.5%
<b>Results / Equity</b>	6.7%	1.5%	5.8%	8.7%

Note: unit in million euros.

Sources: APS, ASF, BdP and INE.

The insurance sector has an important role for the economy as an institutional investor. At the end of 2018, the total volume of the sector's investment portfolio amounted to almost 53 billion euros (Table 1.1) which places, according to INE, the insurance sector at the top of institutional investors in Portugal, representing 26% of GDP.

However, more than the size of the business, and importance for the economy, the insurance activity stands out from the rest of the economic activity due to its strong intervention in areas of evident social interest, such as the protection of people and assets and the management of savings. And it is also thanks to a careful and efficient management of its investment portfolio and the results generated by it that the insurance sector is able to return annually to the society the volume of premiums it receives from policyholders. The value of the premiums issued, together with the amount corresponding to the policy stamp tax and the parafiscal fee associated with insurance premiums, totals the total cost borne by policyholders with insurance contracts in the Portuguese market. In 2018, this figure was around 13.5 billion euros. However, around

11.2 billion euros was returned to policyholders and other beneficiaries through the payment of indemnities, the constitution of provisions for future payments related to insurance events and the constitution and reinforcement of liabilities associated with savings. To this amount, when we add payments to the state, payments to institutions under its tutelage, costs with about 10 thousand employees, commissions paid to almost 19 thousand insurance intermediaries and the distribution of dividends to shareholders, we obtain 13.6 billion euros. That is, the insurance sector received 13.5 billion euros but ended up returning to society about 13.6 billion euros in 2018.

### **1.2.2. Players**

The Case Study Annex presents some data and financial indicators of the ten companies with the largest market share in Portugal in 2018. It should be noted that the market share encompasses life and non-life business, that is, it includes insurers with only life or non-life business, as well as insurers with both.

Fidelidade clearly stands out as the leading company in the Portuguese insurance market. According to data from ASF in 2018, Fidelidade is the company with the largest market share with 34.31%, which represents more than twice that of Ocidental Vida, the second company with the largest share of market, 10.62%. Santander Totta Vida, Seguradoras Unidas and Allianz, close the top five of insurance companies with the largest market share, with 7.69%, 6.18% and 5.36%, respectively.

As a result of the leadership in the insurance market, Fidelidade has the most positive net result, around 278 236 million euros, followed by Ocidental Vida with 67 839 million euros. The most negative net result of 2018 was GNB Vida and Liberty with (56 434) and (38 506) million euros, respectively. Fidelidade and Seguradoras Unidas are the only companies with activities abroad. In terms of average number of workers, Fidelidade is the company that has more employees, about 2 819 workers, followed by Seguradoras Unidas and Liberty with 924 and 510 workers, respectively. Bankinter (19 workers), GNB Vida (53 workers) and Santanter Totta Vida (60 workers) stand out with fewer employees.

### **1.2.3. Trends and Challenges**

The last decade has introduced several new trends, which contrast with the traditional approach of the insurance industry in previous decades. Companies try to find solutions and new products that make sense in today's technological, economic, and cultural environment. To this end,

insurers are increasingly investing in data analysis to gain better insights into all aspects of their business and the market. Although generational change is still affecting the insurance industry and it takes some time, many insurers are strongly betting on new technologies and focusing more and more on clients, instead of focusing on the product, as it used to be. Today's challenges go beyond new technology. The world is constantly changing, so it is necessary for insurers to monitor and respond to new habits and needs of clients, updating or creating innovative products<sup>4</sup> (PwC, 2019).

An example of the adaptation and constant innovation of products is the car insurance. One of the major challenges in this segment is the change in the cultural approach to personal transportation, such as car sharing and driverless cars. While people are traveling by car, car insurance is required. However, as the range of new alternatives, a different price range, different business models and new vehicle technologies increases, it is essential that insurers adopt an agile business strategy to maintain their competitive advantage.

Also related to mobility, according to ONEINC<sup>5</sup>, one of the new ecological trends in big cities is micro-mobility, clarifying, methods of personal transport other than automobiles, such as motorcycles and manual and electric motorcycles. Many cities around the world offer a fleet of micro-mobility vehicles for community use. Unfortunately, widespread adherence to this type of vehicle has consequences for traffic congestion, and injuries and deaths in this new form of transport are increasing. This new reality has obliged insurers to review current policies to ensure clarity in the coverage of micro-mobility. Since there is currently no clarity about liability when various factors occur in a claim or which insurance covers these incidents, for some insurers these claims are covered in automobiles, real estate, personal liability, general commercial liability, employment contracts or health insurance. Industry officials recommend that all users have individual insurance to cover collision, liability, and medical costs. The trend offers a great opportunity for new product ecosystems to protect the growing community of micro-mobility enthusiasts.

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<sup>4</sup> PwC. 2019. "Top Insurance Industry Issues". PwC website. <https://www.pwc.com/us/en/industries/insurance/assets/pwc-2019-insurance-issues-compilation-report.pdf>. [Accessed November 16, 2019].

<sup>5</sup> In ONEINC. *Insurance Industry: 12 trends for 2020*. Available at: <https://www.oneincsystems.com/blog/insurance-industry-12-trends-for-2020?>. [Accessed November 28, 2019].

Adapting to new generations is also one of the main challenges. According to Deloitte in the report “Welcome to Generation Z”<sup>6</sup>, Millennials and Generation Z have quite different expectations from their chosen brands from previous generations, preferring companies that prioritize digital engagement and global awareness. Most traditional companies are taking a step-by-step approach to modernization. These insurers are strategically replacing high-impact functions with insurtech's<sup>7</sup> integrated solutions - usually starting in the areas of payments and claims - to provide similar improvements to the clients experience on a more economical scale.

### **1.3. Fidelidade**

#### **1.3.1. History**

Currently Fidelidade is the merger of four major insurance companies, Bonança, Império, Mundial Confiança and Companhia de Seguros Fidelidade. The company's history dates to 1808 with the foundation of Bonança. Later, in 1835 the Companhia de Seguros Fidelidade was founded. Over the years there have been several events that have led to the way that companies work nowadays, specifically, mergers, nationalization and subsequent privatization, expansion into new markets or new strategies. The name Fidelidade Mundial results from the merger in 2002 of the insurance companies Fidelidade and Mundial Confiança. In 2012, the merger of Fidelidade Mundial and Império Bonança followed, giving rise to Fidelidade - Companhia de Seguros, S.A.<sup>8</sup>.

In 2014, the Chinese venture capital firm Fosun Internacional was chosen by the Portuguese State to buy Fidelidade - Companhia de Seguros, S.A. Since that year, Fidelidade entered a new phase of development, bolstered by support from the shareholders and focused on two priorities: consolidation of its leadership in the Portuguese market and international expansion. According to this strategy, Fidelidade Group acquired Garantia, the leading insurance company in Cape Verde, and Luz Saúde, a leading healthcare provider in Portugal. Continuing the internationalization strategy, in 2019, the Group completing the acquisition of a majority shareholding in the La Positiva Insurance Group, which has a leading position in Peru and also operates in Bolivia and Paraguay, and also commencing its operation in the Chilean market.

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<sup>6</sup> Deloitte. 2019. “Welcome to generation Z”. Deloitte website. <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/consumer-business/welcome-to-gen-z.pdf>. [Accessed November 16, 2019].

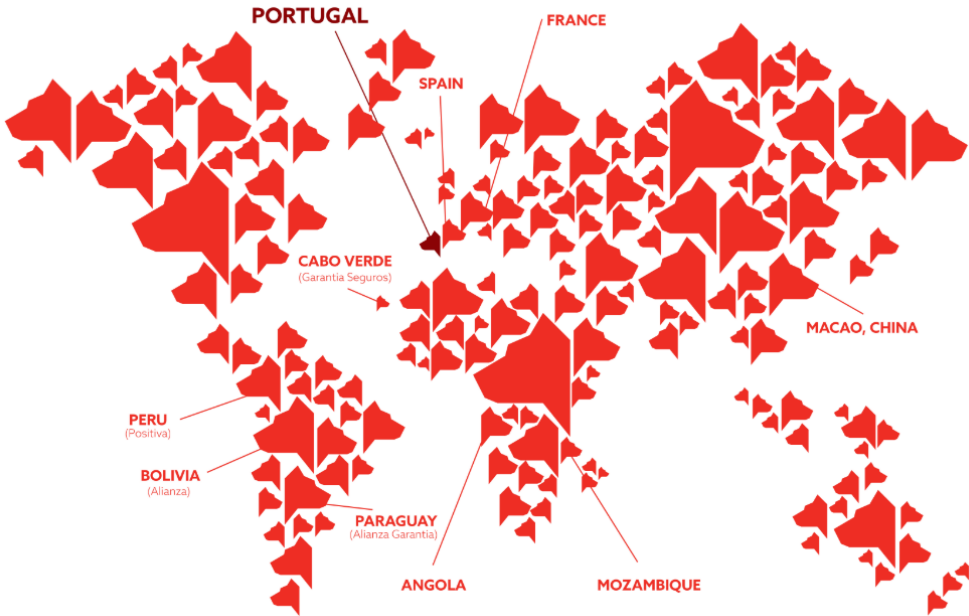
<sup>7</sup> Insurtech is a combination of the words "insurance" and "technology". Referring to the use of technological innovations in order to increase the efficiency of the current insurance industry model.

<sup>8</sup> In *Fidelidade. About us – History*. Available at: <https://www.fidelidade.pt/PT/a-fidelidade/QuemSomos/QuemSomos/Paginas/Hist%C3%B3ria.aspx> [Accessed July 27, 2019].



The completion of this expansion process represents another step in consolidating the Fidelidade Group’s internationalisation strategy and marks the start of the Fidelidade Group’s business in Latin America<sup>9</sup>.

**Figure 1.1.** - Countries where Fidelidade is present



Source: Fidelidade Website.

<https://www.fidelidade.pt/PT/afidelidade/QuemSomos/QuemSomos/Paginas/Nosnomundo.aspx>

[Accessed November 23, 2019].

Fidelidade S.A. is the best-known company in the group with the same name. However, the group is composed of several companies, not only linked to the insurance business, but also to investment and real estate. The Fidelidade Group<sup>10</sup> owns the following companies<sup>11</sup>:

- Fidelidade (Fidelidade – Companhia de Seguros, S.A.): Fidelidade’s mission is to support the development and construction of a sustainable society. It is committed to educating, serving, accompanying, and caring for people throughout their lives, with innovative products and services that effectively protect them, so that life does not stop.

<sup>9</sup> In *Fidelidade. About us - Our Presence in the World*. Available at: <https://www.fidelidade.pt/EN/fidelidade/about-us/about-us/Paginas/our-presence-in-the-world.aspx> [Accessed July 27, 2019].

<sup>10</sup> For simplicity, hereinafter “Fidelidade Group” will be referred to only as “Fidelidade”.

<sup>11</sup> In *Fidelidade. Quem Somos – Relatórios e Contas (2019)*. Available at: [https://www.fidelidade.pt/PT/afidelidade/QuemSomos/QuemSomos/Documents/RC2019/RC\\_Fidelidade\\_2019\\_ENG.pdf](https://www.fidelidade.pt/PT/afidelidade/QuemSomos/QuemSomos/Documents/RC2019/RC_Fidelidade_2019_ENG.pdf) [Accessed July 15, 2020].

- Multicare (Multicare – Seguros de Saúde, S.A.): a leading health insurance company with a vast network of health care providers, which invests in the prevention and availability of products and services that effectively protect people's health at different stages of their lives.
- OK! Teleseguros (Via Directa – Companhia de Seguros, S.A.): is dedicated to the sale of insurance through remote channels, with the vision of providing an excellent service to its clients, making insurance a simple, accessible, and innovative product, supported by new technologies.
- Fidelidade Assistance (Fidelidade Assistência – Companhia de Seguros, S.A.): insurance company specializing in legal assistance and protection services, the market leader in Portugal.
- Safemode (EAPS – Empresa de Análise, Prevenção e Segurança, S.A.): is the competence center of the Fidelidade Group with the capacity to assess and quantify different types of risks and propose measures for their prevention and mitigation.
- GEP (GEP – Gestão de Peritagens, S.A.): company responsible for the expert appraisals and investigations of Fidelidade Group insurers.
- Fidelidade Car Service (Cetra – Centro Técnico de Reparação Automóvel, S. A.): company dedicated to the provision of car repair services and is also authorized to lease cars.
- Cares (Cares – Assistência e Reparações, S.A.): company dedicated to real estate assistance, certified by ISO 9001.
- Fidelidade Property (Fidelidade Property Europe, S.A.): group company whose objective is real estate management, an area that has been gaining weight in the investment portfolio of insurance.
- Fidelidade – SGOIC (Fidelidade – Sociedade Gestora de Organismos de Investimento Coletivo, S.A.): management company for collective investment undertakings with a focus on southern European markets.

### **1.3.2. Mission, Vision and Values**

Fidelidade is the market leader, in life and non-life, and it has innovation, dimension, strength and credibility as its greatest values. Its strategy consists in the development of innovative products, capable of making a difference in the lives of clients. But more than that, Fidelidade stands out for having in its DNA a special way of being in society, with an awareness of service that leads it to protect people beyond what is required<sup>12</sup>.

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<sup>12</sup> In *Fidelidade. Our Brand*. Available at: <https://www.fidelidade.pt/EN/fidelidade/our-brand/our-brand/Paginas/our%20brand.aspx> [Accessed July 29, 2019].

Accordingly, Fidelidade wants to be with its clients at the most difficult times and when it is necessary. The insurance company wants to be an example to others and add its human value to its brand and performance. Because its greatest mission is, in fact, to serve, support and care for its more than two million clients and perform a truly differentiating mission in society. Nowadays, Fidelidade adds an extra value, the essence of a human brand. A brand that believes in life, and that is always at the side of anyone who has a dream and manages to inspire other people. The insurance company's mission, vision and values are visible and highlighted in its marketing campaigns and evident in the philosophy of its employees.

As noted by Sérgio Carvalho, director of marketing,

*“Fidelidade has enforced a human-centric strategy and a culture based on human value. Whether we are talking about products and services that we release or about the communication strategy we create, whether we think about the preparation of our sales network to provide information on the protection needs of our customers, we act focusing on people and on the strengthening of the close relationship we have with those who trust us”<sup>13</sup>.*

**Figure 1.2.** - Fidelidade Advertising.



Source: Fidelidade Website. <https://www.fidelidade.pt/PT/particulares/Paginas/default.aspx> [Accessed November 23, 2019].

**Mission:** *So that life may never stop. Fidelidade's mission is that of lending support to the development and construction of a sustainable society. The company also takes on a*

<sup>13</sup> In *Fidelidade. About us - Sustainability Reports (2018)*. Available at: <https://www.fidelidade.pt/EN/fidelidade/about-us/about-us/Paginas/sustainability-reports.aspx> [Accessed November 21, 2019].

*commitment to educate, serve, accompany, and take care of people throughout their lives, with innovative services and products that effectively grant protection to people.*

**Vision:** *To set an example for others, never letting anyone go without an answer and without support, even if this means that the company will have to go beyond its obligations.*

**Values:** *Even though reality has undergone significant changes over two centuries, there are values which, for Fidelidade, are maintained to this day. The consistent public recognition of the quality of the company's products and services is based on major principles which make the company stand out on the market: experience, protection, credibility, innovation, competitiveness, efficiency, leadership, loyalty, trust and stability.<sup>14</sup>*

### **1.3.3. Strategy**

In the globalized insurance market, in which competition is increasingly aggressive, companies are forced to create a business strategy that enables continuous improvement, cost reduction, the best level of service and to move away from competitors. Aware of the above, Fidelidade's strategy is noticeably clear and concise. According to Annual Report 2019, the Fidelidade has four fundamental strategic objectives that are the guiding thread of each company's operations<sup>15</sup>.

#### *Consolidation of its position in the Portuguese market*

Although Fidelidade is the market leader with around 2.5 million clients, the market is extremely competitive. In this sense, the Group is operating in a structured and continuous manner in key areas of the business, in order to strengthen its leadership in the Portuguese market, which is why it has a series of initiatives in progress in several areas:

- Improved profitability of products.
- Innovation in terms of the offer of products and services.
- Improved performance and sales efficiency in distribution channels.
- Implementation of an omni-channel strategy articulating the various channels, their offers and service levels, in order to ensure an integrated consumer experience.

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<sup>14</sup> In *Fidelidade. A Nossa Marca*. Available at: <https://www.fidelidade.pt/PT/a-fidelidade/NossaMarca/Paginas/A-Nossa-Marca.aspx> [Accessed November 21, 2019].

<sup>15</sup> In *Fidelidade. Quem Somos – Relatórios e Contas (2019)*. Available at: [https://www.fidelidade.pt/PT/afidelidade/QuemSomos/QuemSomos/Documents/RC2019/RC\\_Fidelidade\\_2019\\_ENG.pdf](https://www.fidelidade.pt/PT/afidelidade/QuemSomos/QuemSomos/Documents/RC2019/RC_Fidelidade_2019_ENG.pdf) [Accessed July 15, 2020].

- Reinforcement of the organization, progressively evolving towards an organization more focused on the client, more efficient, more agile, and capable of supporting the growth of the business.

#### *Expansion of the international business*

For historical and cultural reasons, the Fidelidade's internationalization process started in countries where there is an affinity with the Portuguese reality. Namely, in Macau, Angola, Cape Verde, and Mozambique. In Europe, in the French and Luxembourg markets, recognized by the important Portuguese emigrant communities, and also in Spain. International expansion is a strategic priority for the Fidelidade since it intends to diversify its activity and guarantee new growth paths. Fidelidade seeks opportunities in selected countries in Africa and Latin America, where the economic environment and the level of development of the respective insurance markets appear to be favourable to the successful entry of Fidelidade.

In this context, Fidelidade completed, in 2019, the acquisition of a majority stake in Grupo Segurador La Positiva, which holds a leadership position in the Peruvian markets, and is still present in the Bolivian and Paraguay markets. However, the international expansion is not limited to the identification of markets where the Group's skills can present competitive advantages. Internationalization today is a mechanism for transferring knowledge, skills, and innovation between each of the companies that are part of the Group. The transfer of skills between companies also allows for the expansion of each of the markets, promoting innovative and competitive solutions, contributing to economic development and the creation of infrastructures in all geographies where the Group operates. This is an extremely important step towards affirming Fidelidade as a reference in the international insurance industry.

#### *Optimisation of investment management*

The investment policy is constantly monitored, following the appropriate regulations and standards, in order to safeguard the company's capital needs. Thus, the main objective of the group in the financial markets is to reduce risk. For this, a strategy of diversifying the investment portfolio is adopted, investing in different assets, in different geographies and different currencies and restructuring the portfolio of real estate investments, betting mainly in the commercial and services areas.

### *Digital Transformation and Analytics*

Digital transformation represents an opportunity for companies to become more competitive in the market, more efficient in data analysis and more intelligent in the way they relate to the client. Thus, the Fidelidade has increasingly invested in the digital aspect, with several initiatives that can provide the Group's companies with tools capable of responding to the potential disruptive impact of new business models supported by new technologies. It is important for Fidelidade to understand market trends, to create innovative projects that respond to the needs of clients. The purpose of this strategic goal is to offer clients new products integrated into the current landscape. It is essential that the products become more relevant to people, filling in the gaps between the various axes usually worked by insurers: the home, mobility, health and social. In this circumstance, Fidelidade has been developing numerous initiatives in different areas.

#### **1.3.4. Products & Services and Innovation**

Following the strategic objectives, namely within the scope of digital transformation and analytics, Fidelidade created the Center of Advanced Analytics (CAA) and the Center for Transformation (CfT). As noted by Ricardo Jorge Gonçalves, Director of CAA,

*“The Center of Advanced Analytics has in its core the entire Advanced Analytics ecosystem, starting by obtaining the best information possible, then developing the level of necessary Data Science skills and techniques, and finally ensuring the integration of those new practices in the traditional business processes.”<sup>16</sup>.*

Thereby, CAA is a focus on the use of Artificial Intelligence in a business context. On the other hand, CfT's mission is to promote and disseminate innovation in the Fidelidade, seeking to identify and develop innovative solutions and business models, developing value proposals, namely in the areas of home, mobility, health, leisure and entertainment.

Rogério Campos Henriques, Vice-Chairman of the Executive Committee of Fidelidade, declared in 2018 that

*“We developed new products, tested new pilots and continued developing offers of digitalisation for customers, stimulating the use of these platforms in order to draw closer to customers. For the*

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<sup>16</sup> In *Fidelidade. About us - Sustainability Reports (2018)*. Available at: <https://www.fidelidade.pt/EN/fidelidade/about-us/about-us/Paginas/sustainability-reports.aspx> [Accessed September 20, 2020].

*Fidelidade Group, digital transformation is more than just using tools. It is to change core processes. We continue to implement processes that bring greater efficiency and agility in the response to customers, as well as greater decision-making autonomy and capacity. Organisation is nowadays one of the values of our strategy, which strengthens the importance of performing structuring internal changes, with an external impact. Based on the principles of autonomy, focus, multi-disciplinarity and responsiveness, the Agile was in 2018 the symbol of a new internal organisation that we wish to extend to the entire Group. We want to change the way we work. We want to be efficient and to create experiences for customers. We want to be more agile”<sup>17</sup>.*

In 2019, the Group remained more agile, having focused on working internally from the inside out and creating several multidisciplinary teams per project in the areas of compliance, good internal practices and flexibility of auditable processes, areas that are a strength of centralization. The digital transformation started in 2013<sup>18</sup>, a process that cuts across all the business areas of the Fidelidade, however, the main objective is a digital approach to the client, in order to ensure that the client is just a click away to get an answer. Thus, the Fidelidade has developed several applications, where clients can consult information and manage their products and services, according to their needs and convenience. This digital service makes it possible to make a number of activities easier, namely: consult the conditions of the insurance contract; claims report; case monitoring; automatic opening of claims in the multi-risk and motor line; request for car service, home assistance, medical assistance and travel assistance; remote expert assessments, using real-time photos or videos, without the need for physical presence; sending SMS to clients, promoting the monitoring, proactivity and speed of the process; reimbursement on health expenses; online monitoring of motor repair and digital signature.<sup>19</sup> In recent years, the following applications have been developed:

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<sup>17</sup> In *Fidelidade. About us - Sustainability Reports (2018)*. Available at: <https://www.fidelidade.pt/EN/fidelidade/about-us/about-us/Paginas/sustainability-reports.aspx> [Accessed September 20, 2020].

<sup>18</sup> In *Fidelidade. About us - Sustainability Reports (2018)*. Available at: <https://www.fidelidade.pt/EN/fidelidade/about-us/about-us/Paginas/sustainability-reports.aspx> [Accessed September 20, 2020].

<sup>19</sup> In *Fidelidade. Quem Somos – Relatórios de Sustentabilidade (2019)*. Available at: <https://www.fidelidade.pt/PT/a-fidelidade/QuemSomos/QuemSomos/Documents/RSRD2019/Sustainability-Report-2019.pdf> [Accessed September 22, 2020].

- **MyFidelidade** | A mobile application that allows the client to manage auto, health and home insurance, as well as request auto assistance, follow up on claims processes and requests for reimbursement of health expenses in real time.
- **Fidelidade Assistance** | Launched at the end of 2016 considering the optimization of the operational aspect and the guarantee of the quality of the service provided along the value chain. A georeferencing technology was developed, where the client's location is crossed with the assistance facilities available closest to the location. Impacting the reduction in the average time for providing the service, the APP also allows the client to know the exact time of arrival and to follow the route of the trailer<sup>20</sup>.
- **Multicare Medicina Online** | It was a pioneering project in the Portuguese market, launched in 2017<sup>21</sup>. This service is available 24 hours a day, every day of the year, and provides medical consultations, nutritional counselling, promotion of healthy lifestyles and referral to doctor's appointments at home or for other services. The service is provided to the client by telephone, online portal or, alternatively, by video call with the doctor.
- **FidelidadeDrive** | It is a pilot project, launched in 2018 in partnership with Brisa, which reinforces the Group's investment in road safety, for the prevention of road accidents. It consists of an innovative application associated with car insurance to record in real time the behaviour of the insured, allowing to know the behaviour pattern of a driver and giving useful tips to improve his driving. In the near future, the new version of this APP will recommend the best mobility options within the scope of sustainable mobility<sup>22</sup>. This APP was developed by the insurtech The Floop, and distinguished in the Best Digital Product & CX category, at the Portugal Digital Awards 2019
- **MySavings** | In order to encourage savings among its clients, in 2019, this application was developed with features that allow managing the objectives and achieving savings. This project was developed through a collaboration with the reinsurer MunichRE.
- **Faustudo** | Home services platform, providing a digital experience regarding budgeting, hiring, scheduling, payment and final assessment of cleaning, repair, or painting services.

<sup>20</sup> In *Fidelidade. About us - Sustainability Reports (2017)*. Available at: [https://www.fidelidade.pt/Documents/Relato%CC%81rio\\_de\\_Sustentabilidade\\_2017\\_-\\_en.pdf](https://www.fidelidade.pt/Documents/Relato%CC%81rio_de_Sustentabilidade_2017_-_en.pdf) [Accessed September 22, 2020].

<sup>21</sup> In *Fidelidade. About us - Sustainability Reports (2017)*. Available at: [https://www.fidelidade.pt/Documents/Relato%CC%81rio\\_de\\_Sustentabilidade\\_2017\\_-\\_en.pdf](https://www.fidelidade.pt/Documents/Relato%CC%81rio_de_Sustentabilidade_2017_-_en.pdf) [Accessed September 22, 2020].

<sup>22</sup> In *Fidelidade. Quem Somos – Relatórios de Sustentabilidade (2019)*. Available at: <https://www.fidelidade.pt/PT/a-fidelidade/QuemSomos/QuemSomos/Documents/RSRD2019/Sustainability-Report-2019.pdf> [Accessed September 22, 2020].



- **Just in Case** | Helps travellers to prepare their trips, offering a set of free features, such as content about various destinations or checklists with automatic task suggestions but also travel insurance on demand, which allows the client to carry out the entire process in the app, from simulation to payment.

Clients are increasingly demanding, so it is important to develop new solutions that satisfy them in a positive way, not only in the act of subscribing the product but also in the case of any claims. Thus, the group has sought to create integrated ecosystems of services and products, which promote proximity, information, advice, and support. And develop innovative products in several areas, inclusive products specified for segments of society and products increasingly oriented towards environmental sustainability. In recent years, the following differentiating products and initiatives have been launched:

- **Fidelidade Pets** | Insurance for pets, including health and welfare coverage, civil liability, legal and funeral protection and providing a telephone line for veterinary advice and guidance.
- **Cyber Safety** | A service launched in early 2019, for companies with digital channels, which consists of analysing and diagnosing their risk profile and insuring data and the server.
- **Proteção Vital 65+** | Life insurance dedicated to the elderly, which accompanies the life cycle with health, assistance, accident, and funeral cover.
- **Single Insurance Document** | Initiative developed in 2017 that consists of creating a single digital document where the client can find the conditions of the insurance contract in a uniform, clear and simplified way. This process can be entirely handled through digital means, including the client's signature, avoiding printing by the client, the intermediary and the company, thus reducing the use of paper.
- **Pay as You Live** | Program is associated with OK! Teleseguros Health and rewards clients who adopt a healthy lifestyle by reducing the insurance payable amount.
- **Service OK! Gestual** | Considering that in Portugal there are about 115 000 deaf citizens of which about 70 000<sup>23</sup> are drivers, OK! Teleseguros with the support of the *Federação Portuguesa das Associações de Surdos* has developed a free service through video call or chat to assist these drivers in case of any occurrence.
- **Electric mobility** | A OK! Teleseguros has developed innovative solutions in electric mobility, having made available in 2017 a specific insurance for 100% electric vehicles.

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<sup>23</sup> In *Fidelidade. About us - Sustainability Reports (2017)*. Available at: <https://www.fidelidade.pt/Documents/Relato%CC%81rio de Sustentabilidade 2017 - en.pdf> [Accessed October 3, 2020].

Towing to the nearest quick charging station, renting vehicles at different prices, protection for charging cables and discounts on products and services related to sustainable mobility are some of the advantages of this insurance. In 2018 OK! Telesseguros was present at various events related to electric mobility, namely, at the Lisbon Mobi Summit as a sponsor of the Global Mobi Awards, at the Hybrid and Electric Automobile Show in Porto and at the 6th National Electric Vehicle Meeting organized by the Electric Vehicle Users Association (UVE). The presence at these events was essential not only to reinforce this position, but also to improve the understanding of risks and opportunities in the scope of mobility, sustainability, ecology, and the environment.

- **Protechtig** | It is an accelerator program for startups, based on entrepreneurship and sustainability as an essential source of innovation in the construction of the societies of the future. It aims to support the development of international projects that contribute to improving the protection of people in three strategic areas - healthtech, insurtech and fintech. Since its first edition, the Protechtig program has received more than 250 applications from startups from 42 countries. In 2018, the program was distinguished with three Awards in China. Within the scope of this program, a project was also developed by the startup BDEO for GEP – Gestão de Peritagens S.A., that consists of digital expert reports for the areas of automobile, property, and investigations. Bruno Ferreira, GEP’s director, recognizes

*“Our biggest challenge in the area of expert assessment, whether automobile or property assessment, is integrating new technological developments in the current operating model. The digitalization already underway in GEP will bring greater swiftness in the execution of services through innovative and facilitating solutions, adjustable to individual needs, in Portugal or other geographies, which will surely result in the increase of the levels of satisfaction and comfort of customers. Digital expert assessment and the models of artificial intelligence, in the short term, will enhance savings and simultaneously create opportunities in new business areas”<sup>24</sup>.*

- **Project Mercúrio** | Program aimed at preparing behavioural changes in the commercial areas, through the strengthening of training focused on management knowledge, which allows the optimization of commercial efficiency, but also greater autonomy with direct access to the

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<sup>24</sup> In *Fidelidade. About us - Sustainability Reports (2017)*. Available at: <https://www.fidelidade.pt/Documents/Relato%CC%81rio de Sustentabilidade 2017 - en.pdf> [Accessed October 3, 2020].

commercial platform, thus allowing a response to the client faster, in addition to contributing directly to the optimization of processes.

### **1.3.5. Distribuion Channels**

Fidelidade has been developing an omni-channel strategy, ensuring consistency in the offer and seeking to guarantee the integrated vision of the consumer experience, regardless of the channel it uses, associated with a high regional penetration, capable of providing more personalized services that also enhance proximity. The distribution chain consists of six different channels: Fidelidade own stores; agents; brokers; CGD and Eurobic bank branches; the CTT (postal service and bank); internet and telephone channels<sup>25</sup>.

### **1.3.6. Sustainability**

By nature, the insurance sector has a strong contribution to society, helping people, communities, and companies to understand, manage and limit risks, protecting their assets. Aware of this contribution to society, in 2007, Fidelidade's insurance companies began to work on structuring their commitment to sustainability and reflecting on their role in creating value for their stakeholders. To face this challenge, that year the Executive Committee selected a group of employees who were interested in the subject and communication skills. Their mission was to prepare the Group's first diagnosis on social responsibility and to make recommendations for improving performance. This team has been growing every year and has mobilized employees internally for sustainable development issues. Its work has allowed it to create an internal culture of sustainability, to value these themes and raise the Group's awareness of their integration in its daily activity.

Nowadays, the Fidelidade's social responsibility program has an organizational structure that brings together a mobilization team of 15 employees for sustainability issues with a group of focal points, which translates into about 40 employees<sup>26</sup> who participate every year in the collection of information for the sustainability report. At the strategy level, there is a Sustainability Committee composed of the heads of all companies that subscribe to the program, ensuring a review of the performance in this matter. This team therefore seeks to contribute to

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<sup>25</sup> In *Fidelidade. Quem Somos – Relatórios e Contas (2019)*. Available at: [https://www.fidelidade.pt/PT/afidelidade/QuemSomos/QuemSomos/Documents/RC2019/RC\\_Fidelidade\\_2019\\_ENG.pdf](https://www.fidelidade.pt/PT/afidelidade/QuemSomos/QuemSomos/Documents/RC2019/RC_Fidelidade_2019_ENG.pdf) [Accessed July 17, 2020].

<sup>26</sup> In *Fidelidade Comunidade. Estratégia – Programa*. Available at: <https://www.fidelidadecomunidade.pt/estrategia/programa/> [Accessed November 27, 2019].

a more sustainable world, promoting greater social equity, respect for the environment and a commitment to innovation. In 2016, the Fidelidade started a new strategic cycle for sustainability, by conducting a new consultation with interested parties, in order to listen to their concerns and expectations and reconcile them with our business strategy. In 2019, the themes identified in this consultation were revised to adjust the priorities and context of society and the Group. This recent analysis resulted in the following priorities:

- Focus on people.
- New trends, new services.
- Longevity and quality of life.
- Prevention.
- Responsible investment.
- Environment and climate change.
- Community involvement.

Aware of the influence of its activity as a leading insurance group in the development of society, in the 2018 Sustainability Report the specific objectives and contributions to the Sustainable Development Goals (SDGs) were presented and a clear position was adopted to promote the Agenda 2030 - the global strategy for Sustainable Development. This reflection and alignment reinforce the Group's motivation to mitigate the negative impacts and maximize the positive impacts resulting from the activity. They do this through responsible management and by integrating sustainability into the offer. Every year, stakeholders are consulted to ascertain their concerns and expectations in order to align them with the group's business strategy and with society's priorities and context.

In 2019 Sustainability Report, Fidelidade reinforced the objectives in the Table 1.2.

**Table 1.2.** - The SDGs that Fidelidade considers its activity to have and should have a relevant impact in the future.

	<p><b>Ensure healthy lives and promote well-being for all at all ages.</b></p> <p>Innovation of products and services that shall optimise prevention and the promotion of a better quality of life, namely in a context of longevity of societies.</p>
	<p><b>Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.</b></p> <p>Professional and personal development of employees, as preparation of the teams for future work, along with the promotion of balance between work time/personal life and quality of life.</p>
	<p><b>Reduce inequality within and among countries, in terms of income increase but also in terms of equal access to opportunities.</b></p> <p>The mitigation of inequalities within the scope of the involvement in the community, focusing on the mission of strengthening the social sector in the fields of prevention in health, ageing and social inclusion of people with disabilities and/or permanent invalidities</p>
	<p><b>Make cities and human settlements inclusive, safe, resilient, and sustainable.</b></p> <p>Product and service innovation, digitalisation, and promotion of improved service quality by monitoring trends in technology development and capitalising its potential of positive transformation of some of the main societal challenges.</p>
	<p><b>Take urgent action to combat climate change and its impacts.</b></p> <p>Prevention for climate change, whether in the thorough assessment of customers' risks, whether in the management of processes related to climate events in Portugal. Development of products and services that contribute to mitigate environmental impacts and of predictive models to improve risk management.</p>
	<p><b>Strengthen the means of implementation and revitalize the global partnership for sustainable development, encouraging the mobilisation of institutions and resources towards sustainable development, also promoting the empowerment and the transfer of technology to developing countries.</b></p> <p>Investment in internationalisation for the diversification and creation of synergies, as well as transfer of innovation between companies and, above all, between markets. Commitment to the development of the markets in which the group decides to operate, regarding whether the people, the creation of infrastructures or the availability of services and solutions for the population.</p>

Source: Fidelidade Sustainability Report 2019.

#### **1.4. Specifying Questions to be Solved by Students**

**Question 1.** According to Dyllick and Muff (2016), what is the typology of business sustainability of Fidelidade? Please justify your answer providing examples.

**Question 2.** According to the model regarding SOI presented by Adams et al. (2016):

**Question 2.1.** Identify and define three innovative activities that Fidelidade performs to operational optimization.

**Question 2.2.** Identify and define three innovative activities that Fidelidade performs to organizational transformation.

**Question 2.3.** Identify and define the innovation activities that can lead Fidelidade to build a system.

**Question 3.** Elaborate on the advantages and disadvantages of the SOI model.

**Question 4.** In a critical way, relate SDG to the SOI model presented by Adams et al. (2016) providing examples from the case.

## 1.5. Case Study Annex

Indicators of the ten main players in Portuguese insurance industry in 2018.

Business										
	Life + Non-Life	Life	Life	Life + Non-Life	Life + Non-Life	Life	Non-Life	Life	Life + Non-Life	Life + Non-Life
Number of Workers	2 819	153	60	924	645	53	245	19	510	322
Gross Technical Provisions (Million Euros)	13 381 902	10 144 763	3913 099	1 856 948	1 037 545	4 179 06	190 122	1 394 574	616 534	599 655
Net Investments (Million Euros)	15 297 012	10 639 968	217 428	1 634 037	1 124 247	4 462 565	265 710	1 385 193	683 894	697 742
Gross Premiums Written Direct Insurance - Activity in Portugal (Million Euros)	4 440 328	1 374 401	995 356	799 844	693 178	371 100	330 353	320 703	320 390	301 639
Gross Premiums Written Direct Insurance - Activity Abroad (Million Euros)	194 486	0	0	0	0	51	0	0	0	0
Investment Income (Million Euros)	382 226	98 856	107 369	34 716	23 387	65 200	2 333	23 372	20 515	21 047
Net Operating Costs (Million Euros)	359 118	65 412	32 561	199 336	146 289	24 916	24 544	3 195	84 009	85 679
Net Income (Million Euros)	278 236	67 839	17 757	50 646	(2 669)	(56 434)	23 148	14 127	(38 506)	(6 117)
Market Share (life and non-life)	34.31%	10.62%	7.69%	6.18%	5.36%	2.87%	2.55%	2.48%	2.48%	2.33%

Source: ASF.





## **II. METHODOLOGY**

A case study can be applied in different ways, one of them being pedagogical. Pedagogical case studies are an important tool in learning as they promote the discussion and analysis of a reality in a business context. These are very useful and effective in preparing students for the job market, as they illustrate real business situations provided with several practical examples based on theory (Remenyi et al., 2002).

In a case of pedagogical study, students should dedicate time to read, analyse and discuss the case before class and must apply the conceptual structures in a rigorous and systematic way, avoiding making superficial analysis of the cases. In this way, students can gain deeper knowledge about the case and the concepts and theories addressed in it (Barney & Hesterly, 2010).

Regarding the methodology of data collection used for this pedagogical case study was through the analysis of primary data and secondary data. Regarding the primary data, information was collected through an interview (Annex A) conducted with a director of Fidelidade, more specifically, the director of the Transformation Center, João Pedro Machado. Regarding secondary data, information published by other authors was collected. This data was collected in books, academic papers, from journal and magazines articles. About Fidelidade, a deep collection of data and information in the financial report, sustainability report, performance report and website, was conducted.



### **III. PEDAGOGICAL CASE**

#### **3.1. Audience case**

This pedagogical case study has the aim to develop students' knowledge about sustainability, sustainable business model and sustainability oriented to innovation. The study is aimed for graduated and master's degree students that want to understand how companies can be innovative and reach competitive advantage through sustainability. This pedagogical case study focuses on Fidelidade Group, a set of companies reliable and well-known in the Portuguese insurance market.

#### **3.2. Learning Objectives**

The presented pedagogical case study is based on the analysis of the strategy and main sustainable practices that Fidelidade has adopted in Portugal in the last years. The learning objective is to understand how Fidelidade, through its strategy, incorporates several innovation practices oriented towards sustainability. First it is expected that students will be able to identify and evaluate the typology of business sustainability. Then, they are expected to be able to identify innovation activities and associate them with the SOI model by Adams et al. (2016). Finally, relate the SDGs to the activities developed by Fidelidade, having a critical vision in what concerns to whether the chosen SDGs are the most appropriated ones in order to follow the Group's strategy. To conclude, the aim is that, through this pedagogical case study, students can be able join theory and practice, allowing a better perception of theory and its applicability to one of the largest groups operating in the insurance market.

#### **3.3. Literature Review**

##### **3.3.1. Sustainability**

Sustainable development is defined by the World Commission on Environment and Development's Brundtland report (United Nations, 1987, p. 43) as a "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". Subsequently, the 1992 Rio Declaration and the World Summit on Sustainable Development in Johannesburg in 2002 further encouraged discussion on these topics and opened new avenues for the debate on corporate responsibility in society. Thus, since the early 1990s, the discussion on sustainability and sustainable development has been extended to the field of business activity and the terms "sustainable" and "sustainability" have been integrated into the world of management. Since then, there has been considerable evidence of the need for sustainable development. The development model based on production and consumption

beyond what is necessarily has many undesirable consequences for the economy, society, and the environment, forcing humanity to face serious problems. Many of Earth's ecosystems are degrading, species are threatened with extinction, global warming is becoming increasingly evident and resource depletion is starting to take its toll (Global Environment Outlook, 2012).

Sustainability is recognized one of the most important challenges of our time. According to United Nations (1997), sustainable development is essential to achieve a better quality of life for all people, at an economic, social, and environmental level. Elkington (1997) presents a triple bottom line, a sustainability-related construct that presents sustainability with three pillars: people, profit, and planet. However, there are authors that defend that there are more pillars. Namely, Gibson (2009), defends that for good measure should be added a cultural and a political pillar.

The challenge for business is to develop innovation strategies that respond to needs and expectations of stakeholders and justify the economic logic behind sustainability activities (Schaltegger & Wagner, 2006). Additionally, van Kleef and Roome (2007) address a company's ability to collaborate and innovate for sustainability while maintaining its exclusion, suggesting that the development of skills that promote innovation for sustainable development can be perceived as the basis of competitiveness.

### **3.3.1.1. Sustainable Business Model**

The most recognized definition of business model is “a business model describes the rationale of how an organization creates, delivers, and captures value” (Osterwalder et al., 2010). However, there are different approaches, but they all have in common the focus on organizational value creation. The business model for sustainability considers the consequences for the wider social and ecological contexts, challenging the conventional business model that only focuses on organizational value appropriation, namely, one-dimensional profit maximization. Thus, a business model for sustainability helps to define, analyse, manage and communicate a company's sustainable value proposition to stakeholders (Schaltegger et al., 2016).

The business process can be perceived as a transformation of various inputs into different outputs. Based on this, Dyllick and Muff (2016) suggest three different approaches in sustainable business models. Firstly, on the input side, they identify different concerns that business choose to consider and address. Secondly, on the process side, they focus on several organizational perspectives that business have. Finally, on the output side, that is the different values that business creates or preserves. Based on these three elements, Dyllick and Muff

(2016) present Business Sustainability Typology (BST) by using the current economic paradigm as a starting point to clarify the differences. Beginning with “business-as-usual”, they develop three increasingly relevant types of BST, which they named Business Sustainability 1.0, 2.0, and 3.0 (Table 3.3.).

**Table 3.3.** - The business Sustainability Typology with Key Characteristics and Shifts.

Typology of business sustainability	Concerns (What?)	Values created (What for?)	Organizational perspective (How?)
<b>Business-as-usual</b>	Economic concerns	Shareholder value	Inside-out
<b>Business Sustainability 1.0</b>	Three-dimensional concerns	Refined shareholder value	Inside-out
<b>Business Sustainability 2.0</b>	Three-dimensional concerns	Triple bottom line	Inside-out
<b>Business Sustainability 3.0</b>	Starting with sustainability challenges	Creating value for the common good	Outside-in
The key shifts involved:	1 <sup>st</sup> shift: broadening the business concern	2 <sup>nd</sup> shift: expanding the value created	3 <sup>rd</sup> shift: changing the perspective

Source: Dyllick & Muff (2016).

BST 1.0 still focuses on creating shareholder value. Although some isolated policies can be introduced, such as in the area of ethics, looking for more sustainable suppliers, financing sustainable projects, increasing transparency, concern for the well-being of employees or concern for reducing the ecological footprint, these measures are only taken with the objective of reducing costs and business risks, increasing the reputation and attractiveness for new or existing human talents, responding to new demands and customer segments and, thus, increasing profits, market positions, competitiveness and shareholder value. The success of the business is still assessed from a purely economic point of view and remains focused on serving the business itself and its economic objective (Dyllick & Muff, 2016; Hahn & Figge, 2011).

According to Network for Business Sustainability (2012, as cited in Dyllick & Muff (2016, p. 164)) “Business sustainability is often defined as managing the triple bottom line - a process by which firms manage their financial, social and environmental risks, obligations and

opportunities. These three impacts are sometimes referred to as people, planet, and profits”. This definition fits the BST 2.0. In this sustainability typology, the objective is to make sustainability a respected and integrated business topic, allowing companies to “align the concerns it addresses with the values it seeks to create by relating economic, environmental, and social concerns to the triple bottom line values of sustainability” (Dyllick & Muff, 2016, p. 164). The applied perspective is still from the inside out, however, the major objective for companies is to invent, produce and report measurable results in the economic, social, and environmental area, doing so in an economically sound and profitable manner (Dyllick & Muff, 2016).

Business Sustainability 3.0 companies change their perspective in relation to the previous typologies, instead of the traditional “inside-out” approach, it is necessary to apply an “outside-in” approach, as, for instance, social businesses do. According to this view, a “truly sustainable business shifts its perspective from seeking to minimize its negative impacts to understanding how it can create a significant positive impact in critical and relevant areas for society and the planet” (Dyllick & Muff, 2016, p. 165). As the authors continue, “A Business Sustainability 3.0 firm looks first at the external environment within which it operates and then asks itself what it can do to help overcome critical challenges that demand the resources and competencies it has at its disposal” (Dyllick & Muff, 2016, p. 166). Accordingly, companies must seek engagement at a sectoral or intersectoral level, creating transparency, sharing best practices, defining common rules, and setting standards. These collaborative partnerships will increase the impact and reach of sustainability strategies, to create value for the common good (Dyllick & Muff, 2016).

Breuer et al. (2018) defined a set of guiding principles and criteria related to the sustainable business model process based on a theoretical discussion and a comparative analysis of the tools currently available to support the exploration and development of sustainable business models. To this end, the authors combined a deductive and inductive approach, that is, combining theories and basic concepts with practical analysis tools. Based on this procedure, they consider the following guiding principles are of the sustainable business model: orientation towards sustainability, creating extended value, systemic thinking, and integration of interested parties. The principles that support the development of a sustainable business model, the criteria related to the process include: reformulating an extended set of sustainable business model components and their relationships, context-sensitive modelling, a collaborative modelling process and management of impacts and results. These criteria are intended to support and guide professionals towards sustainability, such as entrepreneurs, innovators, intermediaries, such as

mentors or consultants, helping to develop a sustainable business model. Hockerts (2008) identify several benefits of sustainability that promote competitive advantage, namely, cost reduction by increasing efficiency, risk reduction, planning reliability, guarantee of legitimacy, attraction of new customer segments and development of new products and business segments.

### **3.3.1.2. Sustainability Oriented to Innovation**

Sustainable innovation encompasses several approaches to innovation related to sustainability, with only minor conceptual differences in the definitions of green, ecological, environmental, and sustainable innovation. These concepts are included in products, processes, services and business models being market oriented (Schiederig et al., 2012). For Hansen, Grosse-Dunker and Reichwald (2009) SOI consists of innovations that are perceived as adding positive net value to the company's general capital stock. Based on the existing literature, these authors identified three constitutional dimensions to assess the sustainability effects of innovations oriented towards sustainability: the target dimension, the product's life cycle dimension and the need dimension.

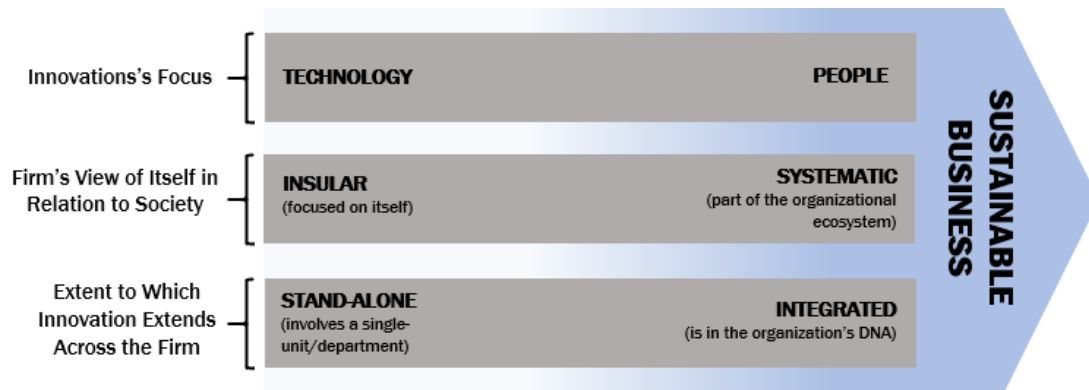
The target dimension analyses the effects of innovations according to their impacts on sustainability goals, using the triple bottom line concept. With reference to the concept of a triple line and the rule of constant capital, the effects of innovations must be assessed according to their impact on different types of capital, namely, economic, ecological, and social capital. However, the social aspect stands out, as it can be a support to establish relations with the company's stakeholders. In turn, in the product's life cycle dimension, it is necessary to evaluate the resources and materials used in the different phases of the product's life, namely, production and logistics, use and end of life. Finally, the dimension of the need incorporates the impact of an innovation on consumption patterns, which can be assessed by three criteria, the technical level, the level of the system of use and the cultural level (Hansen et al., 2009). Based on these three dimensions Hansen et al. (2009) built the Sustainability Innovation Cube (SIC) model, which displays all potential sustainability effects.

There are several models that address SOI. Over time, these models have been improved and evolved from simple linear representations to more elaborate taxonomies that reflect context and activity. However, these models remain limited, as they present a relatively static view of the world, more specifically, they do not consider that over time companies can seek to extend the levels and nature of their responses (Kolk & Mauser, 2002).

SOI is “making intentional changes to an organization’s philosophy and values, as well as to its products, processes or practices to serve the specific purpose of creating and realizing

social and environmental value in addition to economic returns” (Adams et al., 2016, p. 181). Adams et al. (2016) identify three dimensions of SOI: technical/people; stand-alone/integrated; and insular/systemic (Figure 3.3.).

**Figure 3.3. - SOI Dimensions**



Source: Adams et al. (2016).

a) Technical/people, the literature only deals with product-oriented innovation, essentially focused on the technical part and only promoting adjustments that try to respond to environmental challenges. The most recent focus on innovation is people-centred. In other words, sustainability is being treated as a sociotechnical challenge that influences several elements, such as, technology, regulation, user practices and markets, cultural significance, infrastructure and supply networks (Geels, 2005).

b) Stand-alone/integrated dimension is internal to the company, where sustainability is already present in the company's culture. For example, companies now have integrated environmental strategies, where they weigh the environmental impacts of the product's life cycle. Based on several authors, Adams et al. (2016, p. 183) consider that “SOI moves from being an ‘addon’ activity to diffusing and suffusing throughout the organization as strategic sustainability behaviour”.

c) The insular/systemic dimension involves companies that exceed their economic limits, looking more at society. It is based on innovative internal changes that aim to positively affect the socio-economic system, to that end, form coalitions with stakeholders, such as NGOs, lobby groups and governments (Adams et al., 2016).

For Fichter (2014) the theories of interactive innovation highlight three specific functions of social interaction:



- a) How to integrate the internal and external resources of companies, given the growing division of labour and knowledge specialization.
- b) Way to reduce technological and market risks, given that social interaction can help integrate information and provide the directional guidance that companies need to define and execute their development and innovation programs.
- c) Social systems have more and more stakeholders, including companies, families, regulators, among others. These stakeholders pursue different values and pursue different interests and goals, making social systems more complex where conflicts are inevitable. Thus, it is necessary to integrate the normative values of the different innovation actors (Breuer et al., 2018).

Based on to the synthetic method of the framework by Barnett-Page and Thomas (2009) and Dixon-Woods (2011), Adams et al. (2016) developed the SOI model, shown in Figure 4.4. The authors' objective was to specify the innovation activities in which companies are involved to become sustainable.

**Figure 3.4. - SOI's Model**



Source: Adams et al. (2016).

After extensive research, using the dimensions and contexts of SOI as a guide, SOI activities were mapped onto the framework and simultaneously categorized according to established categories in the innovation management literature, namely:

- a) Strategy: organizational and management processes aligned to deliver sustainability.

- b) Innovation process: the organization of the innovation process to deliver sustainability, from searching for new ideas to converting them into products and services and capturing value from them.
- c) Learning: recognizing the value of new knowledge, assimilating, and applying it to support sustainability.
- d) Linkages: internal and external linkages crafted as opportunities for learning and influencing around sustainability.
- e) Innovative organization: work organization arrangements that create the conditions within which SOI can take place (e.g. enabling structures, communications, training and development, leadership and, reward and recognition).

This model, organized around the idea of sustainability as a journey, presents a representation of the contexts of that journey and its characteristic activities. The focus is on the practices that make up SOI's day-to-day activities, in order to give managers tools for innovative solutions, in order to be able to respond to sustainability challenges. Adams et al. (2016) presented the model as a scientific model. In other words, a model that presents a quasi-laboratory in which academics can generate concepts and theories and investigate empirical domains, however, and allows managers to understand the concepts and activities in a practical sense. Thus, Adams et. al (2016) defined three levels of innovation activities, starting with innovation activities of operational optimization, innovation activities of organizational transformation and finally innovation activities of systems building.

#### *Innovation Activities of Operational Optimization*

Operational Optimization is achieved through characteristically technical, autonomous, and isolated activities, which aim to reactive and incremental improvements driven by compliance or the proactive search for efficiencies. These activities are internally focused on sustainability, referring to a "do the same things, but better" approach, trying to reduce the negative impacts of the company's activity (Adams et al., 2016: 188).

#### *Innovation Activities of Organizational Transformation*

This activity already implies a change in the company's cultural norm and strategy. The aim is to reduce the negative impacts resulting from the company's activity, to be able to create shared value and deliver wider benefits to society: "doing good by doing new things" (Adams et al., 2016, p. 190). This strategic change offers opportunities for innovation in business concepts and practices, constituting a logic of modelling that goes beyond an internal operational focus

on becoming greener to a more external and strategic focus on sustainable development (Hart, 1997). According to Ayuso et al. (2011) and Huang & Wu (2011) apud Adams et al. (2016), a clearly articulated sustainability strategy can act as a trigger for innovation. For this, it is important the involvement of top management and the commitment of line managers to sustainability, so that they can create explicit and clearly defined sustainability policies, intertwined with the company's overall strategy. The communication of sustainability values and objectives that go beyond operational and ecological efficiencies should be promoted. The innovation process can be improved for SOI through the adoption of new platforms and new sources of knowledge. In this process, leaders must evolve more and more with the companies' stakeholders, also collecting the external knowledge that resides in the value chains, namely in the interactions with suppliers and customers. One method is to develop new networks in their broader value chains and networks of stakeholders. Namely in supply chains, to develop long-term collaborative approaches with external partners. Considering that technological innovations reduce or eliminate impacts at a product level, in the long term a collaborative approach is necessary to make the entire supply chain sustainable (Stubbs & Cocklin, 2008).

#### *The Innovation Activities of Systems Building*

For the construction of systems, a radical change in the company's philosophy is necessary and reformulating the purpose of business in society. The goal is to "do good by doing new things with others". Sustainability must be applied at a global level, no longer just a practice of a single company (Lamming et al., 1999). In other words, it must be applied collaboratively instead of individually (del Río et al., 2010), so companies stop working in isolation and in competition to carry out integrated collaborations, which have the potential to bring system modelling innovations, for the dialogues they inspire, for the legitimacy they confer, for the opportunities to acquire new knowledge and for the creative and responsive solutions that stimulate with (Gulbrandsen, 2005; Taylor, 2005). The great purpose of these activities is that sustainability can be perceived as "a set of actions that change a system - a city, a sector, an economy - towards a more sustainable path" (Draper 2013, as cited in Adams et al., 2016, p. 192). The dynamics of the macro level of the context constitute a socio-technical landscape, an exogenous environment outside the direct control of organizations, but within their sphere of influence. These changes occur slowly, usually taking decades (Geels, 2005).

**Table 3.4. - Activities of SOI**

	<b>Operational Optimization: doing more with less</b>	<b>Organizational Transformation: doing good by doing new things</b>	<b>Systems Building: doing good by doing new things with others</b>
<b>Strategy</b>	Comply with regulations or pursue efficiency gains	Embed sustainability as a cultural and strategic norm in a shaping logic that goes beyond greening	Logic of wide collaborations and investing in systems solutions to derive new, co-created value propositions
<b>Process</b>	Focus on internal and incremental innovation facilitated by use of tools	Adopt new values and platforms (e.g. reverse innovation) and new ideation practices (e.g. biomimicry)	Adopt new collaborative process platforms with diverse stakeholders
<b>Learning</b>	Exploit existing knowledge management capabilities to identify and access relevant knowledge	Engage with key stakeholders of the firm – internal and external	Develop ambidextrous skills enabling ‘shadow tracking’ and learning from experimentation with multiple new approaches
<b>Linkages</b>	Recruit external domain experts for new knowledge	Shifts focus from intra-firm linkages to collaborations with immediate stakeholders	Get the whole system in the room to diagnose problems, understand system complexity, build trust and identify levers for change
<b>Innovative organization</b>	Exploit existing innovation capabilities	Embed SOI culture through the organization	Adopt new business paradigms

Source: Adams et al. (2016).

### 3.3.1.3. The Sustainable Development Goals

The Sustainable Development Goals emerged in 2015, replacing the eight Millennium Development Goals, established between 2000 and 2015. The SDGs define global priorities and aspirations for 2030 and require action on a global scale by governments, companies and civil society to eradicate the poverty and create a life with dignity and opportunities for all, within the limits of the planet (United Nations Transforming Our World: The 2030 Agenda for Sustainable Development. A/RES/70/1, 2015). Thus, at the United Nations Development Summit in September 2015, global priorities for the 2030 Agenda were defined, which was signed by more than 190 countries. The agenda consists of 17 SDGs, 169 goals and 230 global

indicators, which address the three dimensions of sustainable development - socio, economic, environmental - which can be identified five major areas:

- a) People - concerning the eradication of poverty and hunger, the promotion of dignity and equality.
- b) Planet - focusing on sustainable consumption and production, combating climate change, and managing natural resources.
- c) Prosperity - regarding personal fulfilment, economic and social progress.
- d) Peace - peaceful, just, and inclusive societies, free from fear and violence.
- e) Partnerships - regarding cross-cutting integration, interconnection, and joint mobilization for the most vulnerable.

**Figure 3.5. - Sustainable Development Goals**



Source: <https://sdgs.un.org/goals> [Accessed September 5, 2020].

The World Business Council for Sustainable Development (WBCSD), in collaboration with the Global Reporting Initiative (GRI), developed the SDG Compass, a document oriented to companies, which promotes understanding of the process of construction and definition of the SDGs, recommends the alignment of the internal goals already established by companies to SDGs and deals with mapping the impact of SDGs along the value chain, so that SDGs are incorporated into the company's strategy. Accordingly, SDGs offer a common structure and

language that facilitate and enhance communications between company stakeholders (Schramade, 2017). Ban Ki-moon, United Nations Secretary-General states that

*“Business is a vital partner in achieving the Sustainable Development Goals. Companies can contribute through their core activities, and we ask companies everywhere to assess their impact, set ambitious goals and communicate transparently about the results”* (United Nation, 2016, p. 4).

The private sector can play a fundamental role in reaching SDGs, namely through innovation, responsiveness, efficiency and provision of specific skills and resources (Scheyvens et al., 2016). Innovation and technology can be essential in the transformation process for companies to readjust their activities or adopt new strategies, in order to be socially, economically and environmentally more responsible, thus contributing to the fulfilment of SDGs (Leach et al., 2012).

### **3.4. Animation Plan**

In order to be able to discuss and share ideas in the analysis of the case, students must join in groups of 3 to 5 elements. Initially, work begins outside of class, where students must read the case and search for more information about the insurance industry and Fidelidade. It is important that students come to class already with the notion of the main characteristics of the insurance market and deep knowledge about the products/services and strategy of the Fidelidade. In class, students should have knowledge of the theoretical part of the case study and answer the questions. It is expected that the groups have a critical opinion regarding the theory, that they will bring new information to the discussion and that they will suggest new ways of acting by Fidelidade, in order to have a more enriching final discussion through the sharing of different response solutions. The teacher should clarify doubts and guide students towards the proposed pedagogical objectives. Table 3.5. shows the different stages of solving the case.

**Table 3.5. - Animation Plan**

Stage	Time	Activity	Objectives
1	60 minutes	Preparation before class. Individual reading of the case of study and sharing ideas among group elements.	Know the insurance industry and the reality of the Fidelidade. Case study reading and problem identification;
2	20 minutes	Resolution of question 1.	Understand the model of Dyllick and Muff (2016). To be able to apply the model to the Fidelidade, identify and justify the typology of business sustainability.
3	20 minutes	Resolution of question 2.1.	Be conscious of Adams et al. (2016) model, understanding the different innovation activities. To be able to identify and provide examples of innovation activities of operational optimization carried out by Fidelidade.
4	20 minutes	Resolution of question 2.2.	Be conscious of Adams et al. (2016) model, understanding the different innovation activities. To be able to identify and provide examples of innovation activities of operational optimization carried out by Fidelidade.
5	20 minutes	Resolution of question 2.3.	Be conscious of Adams et al. (2016) model, understanding the different innovation activities. To be able to justify the way for Fidelidade to build a system.
6	20 minutes	Resolution of question 3.	Have a reasoned critical opinion, explaining the advantages and disadvantages of SOI.

7	25 minutes	Resolution of question 4.	Relate the SDGs with the activities developed by the Fidelidade, justifying them with examples. Substantiate whether the chosen SDGs are ideal in view of the Group's strategy.
8	60 minutes	Presentation and discussion of the resolutions developed by the students.	The group should synthesize their responses so that the presentation is clear and objective. Ability to discuss and argue your thoughts and different points of view with other groups.

Source: Author

### 3.5. Analytical Tools

Typology of Business Sustainability (BST) model present by Dyllick and Muff (2016) (Figure 3.3.).

SOI model present by Adams et al. (2016) (Figure 3.4.).

### 3.6. Case Resolution

#### 3.6.1. Question 1.

**According to Dyllick and Muff (2016), what is the typology of business sustainability of Fidelidade? Please justify your answer providing examples.**

As identified in the case, by nature the insurance sector has a strong contribution to society, helping people, communities, and companies to understand, manage and limit risks, protecting their assets. Aware of the impact of its activity, the group consulted its stakeholders and reflected on their contribution to the Sustainable Development Goals (SDGs), adopting a position to promote Agenda 2030 - the global strategy for Sustainable Development. This alignment and all the initiatives taken in light of the fulfilment of these objectives, has the main goal of mitigating the negative impacts and maximizing the positive impacts resulting from the insurance activity, seeking to create value for the communities where they operate.

The value creation goes beyond shareholder value and includes social and environmental values, as demonstrated in the mission, vision and values. There are goals and programs deliberately defined, directed to sustainability issues or specific stakeholders. Namely, by



aligning the group's strategy with the 2030 agenda of sustainable development objectives. For example, in the contribution to SDG 10 for the reduction of inequalities and social inclusion of people with disabilities or permanent invalidities. Having OK! Teleseguros created a specific producer for deaf motorists, helping them to integrate into their daily lives. Or at SDG 13 in the fight against climate change when Fidelidade launches specific products for electric vehicles. The values of sustainability are part of the company's culture and are measured and reported every year in the sustainability reports. Accordingly, the concerns are three-dimensional, the values created are from the perspective of the triple bottom line and the organizational perspective is inside-out. Concluding that Fidelidade has a business sustainability 2.0.

### **3.6.2. Question 2.1.**

**According to the model regarding SOI presented by Adams et al. (2016): Identify and define three innovative activities that Fidelidade performs to operational optimization.**

In order to reduce the impacts of the group's activity and increase efficiency, over the past few years, several operational activities have been carried out with the perspective of "doing the same things, but better". In particular:

- Reduced use of paper | Digitization was the way to avoid and reduce the amount of paper used inherent to the group's activity. In this context, the creation of the Single Insurance Document stands out, which dematerialized the process of signing and printing the contract, since it can be consulted in the MyFidelidade application. Therefore, the group achieves operational optimization by reducing operating costs and consequently the ecological footprint.
- GEP digital inspection | The group's expert appraisals company has improved its efficiency by replacing physical expertise with digital expertise. With this innovation, evaluation is remote, without the need for experts to travel to the local, saving resources and making the service more efficient. It is an innovative technical solution that reduces negative impacts and increases the efficiency of expert appraisals, increasing productivity and speed in client service.
- Project Mercury | Activity that contributed to the optimization of the commercial network processes, through the reinforcement of training focused on management knowledge, but also a greater autonomy of intermediaries with direct access to the commercial platform. This project allows an optimization in contact with the client.

### **3.6.3. Question 2.2.**

**According to the model regarding SOI presented by Adams et al. (2016): Identify and define three innovative activities that Fidelidade performs to organizational transformation.**

In this case, we can infer that sustainability is not only seen as a complement, but as a fundamental principle of the culture and strategy of the Fidelidade. We have identified the objective of "doing good by doing new things" in the following activities, all of which are causally linked to the strategic objective outlined by the Digital Transformation and Analytics group.

- Creation of the Center for Transformation | The creation of this department clearly underlies the group's strategy of developing innovative products in the most varied areas. Thus, through the identification of new market opportunities and client needs, CfT has developed several products that are increasingly technological, digital, innovative, sustainable, and easily accessible to the client. Such as Multicare Online Medicine or Ok! Teleseguros electric mobility products and initiatives. Sustainability is considered a complement, but through CfT it is reflected as a cultural and strategic norm.
- Creation of the Center for Advanced Analytics | It reflects the collective commitment to transforming data and processes through artificial intelligence. Thus, CAA represents a new platform for new sources of knowledge, contributing to the innovation process.
- Introduction of agile methodology in IT development | As recognized by the Vice President of the Executive Committee of Fidelidade, Rogério Campos Henriques, the Fidelidade adopted the agile methodology, based on the principles of autonomy, focus, multidisciplinary and responsiveness, changing the way it works, developing new products, changing processes in order to obtain greater efficiency, culminating in greater client satisfaction. This methodology reflects the commitment of senior management to change aimed at innovation, through sustainability policies clearly defined and articulated with the company's global strategy.

### **3.6.4. Question 2.3.**

**According to the model regarding SOI presented by Adams et al. (2016): Identify and define the innovation activities that can lead Fidelidade to build a system.**

According to Hart (2010) the ultimate goal of sustainability is for companies to be able to initiate, mobilize, inspire and lead change. This being a long way, Fidelidade has taken several steps in this direction. It remains distant given that the economic paradigm continues to prevail in relation to the company's purpose in society. However, it has developed several activities

that bring it closer to the role of system builders. Given that, there have been collaborations with different companies in the industry, where there is an exchange of knowledge and innovative solutions are created. Among the various examples, the innovative APP that encourages and helps in saving management - MySavings stands out. This APP is the result of a collaboration with MunichRE, the company that operates throughout the value chain of reinsurance, primary insurance and risk solutions related to insurance.

Another example, in this case outside the insurance industry, is the partnership with Brisa that resulted in the innovative FidelidadeDrive APP. This APP perfectly combines innovation with sustainability. On the one hand, it was innovative and quite complete, as it combined the experience in the automobile business of Fidelidade, with Brisa, one of the largest operators of the Portuguese road system and The Floow, an insurtech that uses telematics to transform mobility, with the aim of reducing deaths and serious injuries in car accidents.

One of the ways for SOI is also internalization. The fact that the group is spread on several continents and increasingly betting on its presence in new markets, allows the creation of synergies, the transparency of innovation between companies and markets and promotes diversity, factors that enrich knowledge and foster the competitiveness of the group.

### **3.6.5. Question 3.**

**Elaborate on the advantages and disadvantages of the SOI model presented by Adams et al. (2016).**

In general, SOI has more advantages for companies than disadvantages. Starting with the most obvious, linked to its purpose, contributed to a more sustainable world, by maximizing productivity and resources and minimizing waste. Although it is an empirically untested model and there are few academic studies on the innovation process among system creators, the model promotes practices that develop the competitiveness of companies and the market. Like, for example, the sharing of values and good practices, the search for innovative solutions that require a constant market study. Accordingly, allowing to understand consumer trends and adapt / launch products with high interest to the client more quickly. It is important to start defining concrete metrics to measure progress and guide staff, especially regarding the social dimension of sustainable development. The monitoring and follow-up process on a quarterly or semi-annual or annual basis are also relevant for greater stakeholder involvement and greater transparency. In conclusion, SOI is a process that can take years to implement. However, the long-term benefits are clear for the company but also for the economy, society and the environment.

**Table 3.8.** – Advantages and Disadvantages of SOI

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• Promotes market / industry development.</li> <li>• Promotes the sharing of values and good practices.</li> <li>• Greater client benefit.</li> <li>• Benefit for society, environment, and economy.</li> <li>• Cost reduction.</li> <li>• Maximizing productivity and resources.</li> <li>• Waste minimization.</li> <li>• Increased competitive advantage.</li> <li>• Increased product functionality</li> <li>• More stakeholder involvement</li> </ul>	<ul style="list-style-type: none"> <li>• Few academic studies reporting the innovation process among system designers, and this remains a gap in the literature.</li> <li>• Empirically untested model.</li> <li>• In the insurance industry, economic interest remains more important than sustainable, which can represent a barrier to collaborations in support of sustainability.</li> <li>• It takes years to implement, so the benefits are long-term gains. In the short term, only cost savings appear quickly.</li> <li>• Lack of metrics to measure progress and guide staff, especially regarding the social dimension of sustainable development.</li> <li>• The model is easier to implement in new companies than in companies already completely rooted in the market and with well-defined processes.</li> </ul>

Source: Author

**3.6.6. Question 4.**

**In a critical way, relate SDG to the SOI model presented by Adams et al. (2016) providing examples from the case.**

In general, SOI and SDG share the same objective: to make the world economically, socially, and environmentally more sustainable. The business sector, as an engine of economic growth, employment and as a source of technology and innovation, plays a critical role in reaching the 2030 agenda. It is also worth noting that, the SDGs are an opportunity for companies improve existing strategic actions and projects and implement new actions and projects with a view to contributing to national and global goals. Therefore, the SDGs are based on the assumption of

collaboration between governments, companies, NGOs and civil society. In view of the above and considering the path identified through internationalization for the contribution of building sustainable systems oriented towards innovation by Fidelidade, in the question 2.3, there is one objective of sustainable development that directly correlates the two issues: objective 17 Partnerships for Sustainable Development. This objective is part of the list of six defined by the Fidelidade. One of the measures of this objective is the adoption and implementation of investment promotion regimes for the least developed countries. Through the group's internalization policy, the countries to which the group has expanded - Peru, Bolivia, and Paraguay - are developing countries and through the Fidelidade's know-how, these companies will be developed through sharing knowledge, expertise, technology, financial resources, training for science, innovation, good practices, cultural values, and communication. In other words, there will be a global partnership that will contribute to the sustainable development of less developed countries, through knowledge sharing, which will foster not only the insurance market in these countries, but also technological and innovative development, which is the specific purpose of objective 17.

When analysed in detail, one can realize that the group's innovation contributes to the sustainability and fulfilment of the 2030 agenda, given that we identify innovative initiatives/products/services that allow us to achieve the goals related to the SDG that are aligned with the strategy of the Fidelidade. In particular:



- SDG 3: healthy life - through telemedicine available in Multicare's health insurance or in the "Pay as You Live" initiative by Ok! Teleseguros.
- SDG 10: reduce inequalities - through the inclusive product for deaf citizens, Ok! Gestual.
- SDG 11: sustainable cities and communities - causally related to organizational transformation (question 2.2.). Through the innovation of products and services and monitoring of market trends and the development of technology, tasks performed by CfT and CAA.

Fidelidade carries out its sustainability report every year, which presents the advances and challenges inherent in this area, as well as the alignment of the Group's strategy with the SDGs. However, it is necessary to monitor this process and define concrete goals. In order to keep a record of the progress made and through the goals, the real impact of the activity can be analysed and quantified.

### 3.7. Case Resolution Slides

## SUSTAINABILITY AS A KEY DRIVER OF INNOVATION: A PEDAGOGICAL CASE STUDY OF FIDELIDADE GROUP

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**Question 1.**  
According to Dyllick and Muff (2016), what is the typology of business sustainability of Fidelidade? Please justify your answer providing examples.

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Concerns

↓

**Three-dimensional concerns**

The value creation goes beyond shareholder value and includes social and environmental values, as demonstrated in the mission, vision and values.

Values created

↓

**Triple bottom line**

The values of sustainability are part of the company's culture and are measured and reported every year in the sustainability reports. For example, in the contribution to SGD 10 for the reduction of inequalities and social inclusion of people with disabilities or permanent invalidities. Having OK! Telesseguros created a specific producer for deaf motorists, helping them to integrate into their daily lives. Or at SGD 13 in the fight against climate change when Fidelidade launches specific products for electric vehicles.


Organizational perspective

↓

**Inside-out**

Aware of the impact of its activity, the group consulted its stakeholders and reflected on their contribution to the Sustainable Development Goals (SDGs), adopting a position to promote Agenda 2030 - the global strategy for Sustainable Development.

**Business Sustainability 2.0**



2

### Question 2.1.

According to the model regarding Sustainability Oriented to Innovation presented by Adams et al. (2016): identify and define three innovative activities that Fidelidade performs to operational optimization.

In order to reduce the impacts of the group's activity and increase efficiency, over the past few years, several operational activities have been carried out with the perspective of "doing the same things, but better". In particular:

#### Reduced use of paper

Digitization was the way to avoid and reduce the amount of paper used inherent to the group's activity. In this context, the creation of the Single Insurance Document stands out. Therefore, the group achieves operational optimization by reducing operating costs and consequently the ecological footprint.

#### GEP digital inspection

The group's expert appraisals company has improved its efficiency by replacing physical expertise with digital expertise. It is an innovative technical solution that reduces negative impacts and increases the efficiency of expert appraisals, increasing productivity and speed in customer service.

#### Project Mercury

Activity that contributed to the optimization of the commercial network processes, through the reinforcement of training focused on management knowledge, but also a greater autonomy of intermediaries with direct access to the commercial platform. This project allows an optimization in contact with the customer.

3

### Question 2.2.

According to the model regarding Sustainability Oriented to Innovation presented by Adams et al. (2016): identify and define three innovative activities that Fidelidade performs to organizational transformation.

In this case, we can infer that sustainability is not only seen as a complement, but as a fundamental principle of the culture and strategy of the Fidelidade Group. We have identified the objective of "doing good by doing new things" in the following activities, all of which are causally linked to the strategic objective outlined by the Digital Transformation and Analytics group.

#### Creation of the Center for Transformation

Through the identification of new market opportunities and customer needs, CFT has developed products that are increasingly technological, digital, innovative and sustainable. Such as Multicare Online Medicine or Ok! Telesseguros electric mobility products and initiatives. Sustainability is considered a complement, but through CFT it is reflected as a cultural and strategic norm.

#### Creation of the Center for Advanced Analytics

It reflects the collective commitment to transforming data and processes through artificial intelligence. Thus, CAA represents a new platform for new sources of knowledge, contributing to the innovation process.

#### Introduction of agile methodology in IT development

Based on the principles of autonomy, focus, multidisciplinary and responsiveness, developing new products, changing processes in order to obtain greater efficiency, culminating in greater customer satisfaction. Demonstrating the commitment of top management to innovation-oriented change, representing clearly defined sustainability policies, intertwined with the company's overall strategy.

4

### Question 2.3.

According to the model regarding Sustainability Oriented to Innovation presented by Adams et al. (2016): identify and define the innovation activities that can lead Fidelidade to build a system.

According to Hart (2010) the ultimate goal of sustainability is for companies to be able to initiate, mobilize, inspire and lead change. This being a long way, Fidelidade has taken several steps in this direction. It remains distant given that the economic paradigm continues to prevail in relation to the company's purpose in society. However, it has developed several activities that bring it closer to the role of system builders.

There have been **collaborations** with different companies in the industry, where there is an exchange of knowledge and innovative solutions are created. Among the various examples, the innovative application that encourages and helps in saving management - MySavings stands out. This application is the result of a collaboration with MunichRE, the company that operates throughout the value chain of reinsurance, primary insurance and risk solutions related to insurance.

Another example, in this case outside the insurance industry, is the partnership with Brisa that resulted in the innovative FidelidadeDrive app. This app perfectly combines innovation with sustainability. On the one hand, it was innovative and quite complete, as it combined the experience in the automobile business of Fidelidade Group, with Brisa, one of the largest operators of the Portuguese road system and The Floow, an insurtech that uses telematics to transform mobility, with the aim of reducing deaths and serious injuries in car accidents.

One of the ways for SOI is also internalization. The fact that the group is spread on several continents and increasingly betting on its presence in new markets, allows the creation of synergies, the transparency of innovation between companies and markets and promotes diversity, factors that enrich knowledge and foster the competitiveness of the group.

5

### Question 3.

Elaborate on the advantages and disadvantages of the Sustainability Oriented to Innovation model presented by Adams et al. (2016).

Advantages	Disadvantages
<ul style="list-style-type: none"><li>• Promotes market / industry development.</li><li>• Promotes the sharing of values and good practices.</li><li>• Greater customer benefit.</li><li>• Benefit for society, environment and economy.</li><li>• Cost reduction.</li><li>• Maximizing productivity and resources.</li><li>• Waste minimization.</li><li>• Increased competitive advantage.</li><li>• Increased product functionality</li><li>• More stakeholder involvement</li></ul>	<ul style="list-style-type: none"><li>• Few academic studies reporting the innovation process among system designers, and this remains a gap in the literature.</li><li>• Empirically untested model.</li><li>• In the insurance industry, economic interest remains more important than sustainable, which can represent a barrier to collaborations in support of sustainability.</li><li>• It takes years to implement, so the benefits are long-term gains. In the short term, only cost savings appear quickly.</li><li>• Lack of metrics to measure progress and guide staff, especially with regard to the social dimension of sustainable development.</li><li>• The model is easier to implement in new companies than in companies already completely rooted in the market and with well-defined processes.</li></ul>

6



**Question 4.**


In a critical way, relate SDG to the SOI model presented by Adams et al. (2016) providing examples from the case.

**SOI and SDG share the same objective**

To make the world economically, socially, and environmentally more sustainable.



**Necessary to monitor the fulfillment of the objectives and goals**



**3 GOOD HEALTH AND WELL-BEING**

Relate through telemedicine available in Multicare's health insurance or in the "Pay as You Live" initiative by Ok! Teleseguros.



**10 REDUCED INEQUALITIES**

Relate through the inclusive product for deaf citizens, Ok! Gestural.



**11 SUSTAINABLE CITIES AND COMMUNITIES**

Directly related to organizational transformation, through the innovation of products and services and monitoring of market trends and the development of technology, tasks performed by CFT and CAA.



**17 PARTNERSHIPS FOR THE GOALS**

Through the group's internalization policy, the countries to which the group has expanded - Peru, Bolivia and Paraguay - are developing countries and through the Fidelidade Group's know-how, these companies will be developed through sharing knowledge, expertise, technology, financial resources, training for science, innovation, good practices, cultural values and communication. This global partnership will contribute to the sustainable development of less developed countries, through knowledge sharing, which will foster not only the insurance market in these countries, but also technological and innovative development.



## CONCLUSION

All over the world, social and environmental instability is increasing, and companies can play an essential role in what concerns dealing with these problems. This instability may increase the risks for the insurance sector, making it even more urgent for companies in this sector to try to contribute to sustainable development. In part because the sector's great mission is to serve, support and care, helping clients in the circumstances of life where they most need. In this sense, companies try to minimize their negative impacts and maximize the positive ones on society and in the planet, in order to contribute to a more sustainable world.

However, as the insurance sector is growing fast and has numerous new areas to cover, it is also necessary for companies to adapt to the new demands of consumers, trying to understand and follow the new market trends. Thus, companies must create mechanisms in order to actively contribute to a more sustainable world, but also to offer products and provide services, each day more complete and reliable to their clients.

In this pedagogical case study, the suggestion of solution to these problems is sustainability oriented to innovation. The challenge for companies is to develop innovation strategies that reach the needs and the new trends in the market, as well as innovation strategies that correspond to the expectations of stakeholders, contributing to sustainability, but also generating competitive advantages. To have a strategy focused on sustainability and innovation, it is important for companies to:

- Reinforce the relationship with stakeholders.
- Analyse their internal processes in order to improve the level of operational optimization, reducing the environmental impact and, as a result of that, reducing costs.
- Assume changes, redefining their strategy and objectives, having not only an economical vision, but a social and environmental vision, too.
- Adapt to technological development, being at the front in what is concerned with technology, in terms of artificial intelligence. Use technology as a tool to be able to understand and anticipate trends, benchmark, to create products and to improve services accordingly the new needs of consumers.
- Make partnerships with other companies, in order to deepen knowledge and join forces, recognizing the value of new knowledge, learning it, and applying it to support sustainability.

In conclusion, it is extremely important for companies to align their strategy with the SDGs, since it is specifically identified which areas are related to the company's activity, so the company can improve in order to actively contribute to the sustainable development, promoting peace, justice and reliable institutions. Finally, it is necessary for companies to create tools to

control and evaluate management and progression in this area, in order not only to understand its impact, but also to adjust the aims if these have not been defined in a realistic way or if they are not being reflected in the company's results.

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## **ANNEX**

This appendix presents the interview guide for João Pedro Machado, director of the Center for Transformation at Fidelidade.

play

Question 1. What role does João Pedro Machado play in Fidelidade? How long have you been in the company?

Question 2. When and how was the Center for Transformation created?

Question 3. Are innovation and sustainability part of Fidelidade's strategy?

Question 4. What are the main objectives for innovation at Fidelidade?

Question 5. Do you consider that sustainability can be one of the main drivers of innovation? If so, why?

Question 6. Can you identify 3 innovative activities adopted by Fidelidade in terms of operational optimization?

Question 7. Can you identify 3 innovative activities adopted by Fidelidade in terms of organizational transformation?

Question 8. Are you aware of collaborations between Fidelidade and other companies in the sector in terms of innovation or sustainability?