

The Argument Against Working Managers

Having “working managers” has been a traditional way of managing in many insurance companies. It’s a concept that many of us grew up with and, unfortunately, an idea that some of us never questioned. It’s based on the belief that managers are most efficient and units produce the best results when unit size is kept small (usually fewer than seven people) and when managers spend a significant amount of their time doing the technical work of their unit.

It’s easy to see why this idea is popular. First, it’s a comfortable design. New managers are promoted based on how well they underwrite, pay claims or do other technical work. They continue what they know best and take on their new management responsibilities as an additional task. Since their technical skills are usually what got them promoted, this is where they continue to concentrate their time and effort. The additional cost to the company is usually minimal. It isn’t a big promotion, so the additional expense isn’t great. This is especially true since the new manager almost always continues to do most or all of his or her past work. This saves hiring a new employee.

The main strength of this approach is that it *appears* to create the best focus on core skills and ensures the best technical decisions. It appears to be the best way to run Claim, Underwriting, Systems or other departments where maintaining technical or professional skills are critical to the department’s success. But it isn’t.

There’s a better way to accomplish this and at a cost that is far less. The key is to create dual career paths for your high potential employees. Give them the choice of either becoming a technical or professional expert or a manager who leads people. This approach recognizes the fact that while many employees have the potential to become technical experts, few have the talent to become good managers and very few can be effective at both. Creating dual career paths results in better technical skills within the organization and fewer, better managers.

As you implement this idea, the size of units will also increase dramatically, usually depending on the experience level of the employees. The ratio of employees to manager (this used to be called “span of control” when control was main focus of managers) for these units tends to be between 16:1 and 24:1. As you can see, this is a significant increase in unit size.

Note: We have clients who have units with significantly broader “spans of communication” (the new term for this relationship). One unit has 36 people in it. While these units are working well, they tend to have unique situations and, of course, an outstanding manager and group of employees.

The first and most obvious benefit from this approach is lower operating costs because you need fewer managers. This is partially offset by the need to officially recognize new positions for your technical experts. These are positions with titles like Chief Underwriter, Chief Claims Examiner, Systems Architect, etc. But the total cost is always less, usually by at least 1/3rd.

Increasing the size of units also provides the opportunity for implementing workflow improvements, one-stop processing, multi-functional teams and customer centric (units designed specifically around the needs of their customers) organizations. This redesign effort always results in reduced service

times, improved quality and lower overall processing expenses. Companies that do this on their own can usually expect efficiency increase to between 5 and 10%. With experienced consulting help you can expect two or three times that result.

But this isn't the most important benefit. Under this new approach the quality of your technical decisions, the technical skills of your employees and their relationships with customers almost always improves, sometimes dramatically. This is because employees tend to be encouraged to work more independently and are held more accountable for their results.

At the same time, technical mentoring and skills improve in an environment where professional talent receives the respect it deserves. Employees become more involved and more in control of their own training and development. People tend to progress at their own rate, which is frequently faster than others in the company expect.

With bigger, more diverse units people can work together more easily and more effectively. Structure stops being an impediment. Organizational silos are torn down and replaced with teams of people working together to attain common goals.

To obtain these results and have these changes work well, there are a few other things you need to put in place or at least make sure are working well. First, and most importantly, each of these units must have well balanced and complete core success measures that clearly identify when the unit is working well and accomplishing its goals.

These results and how they compare to the unit's agreed upon standards and goals must be monitored and communicated to all employees. We suggest weekly. This effectively involves employees in the results they are creating and helps make them accountable for these results. To encourage this involvement and increase their focus on continuously improving their results, we also suggest involving them in regular meetings where these results are discussed, solutions to problems identified and opportunities for further improvements planned and implemented.

It is also important that the roles, responsibilities, authority and interactions between managers and technical experts be clearly defined. This is especially important at the start when these relationships are new. Answering questions like – Who assigns authority limits to underwriters or claims examiners? Who makes the final business decision on accounts? How do case referrals work? Who is involved? How is technical training done? Who is responsible for other training? – are critical to the smooth and successful operations in this new environment.

As you can see, this new environment significantly changes everyone's role. Employees become more involved and accountable for what they do and the results they create. Managers spend more time in leadership activities, facilitating and guiding employees. The result is more energy, faster response to opportunities and problems, more flexibility and better overall results.

Another thought that can help if you decide to do this . . . organizations should be designed so average employees will be successful. Then hire extraordinary people and watch them exceed your expectations.

In our management consulting practice we help companies identify and attain their full potential. This is our vision. It is why we were created and what we do. Please visit our website (McDonaldConsultingGroup.com) if you want to learn more about our firm.