

## What's Wrong When Teams Don't Work?

If your company is like the majority of those we talk with, one of the changes you've considered, if you haven't already made it, is to implement teams. It's an interesting concept with lots of supporters, but the success of those who have already implemented them varies widely. In some companies they've worked extremely well, in some just OK, and not at all in others. A few have even abandoned teams and returned to a more traditional, functional structure.

Why is this? What causes teams to succeed in one company and fail in another? I think answers to this question lie in why they are created, their basic design and their relationship to the rest of the organization.

Before explaining this, I'd like to first explain what I mean by "teams." Many forms of teams exist. In this communication, however, I am referring to customer-focused "business units." More specifically, units that:

- own and are responsible for the success of a specific segment of a company's business,
- provide customized, complete (perhaps even "cradle to grave") services to their customers,
- are staffed by individuals who collectively possess all of the critical skills needed to provide the customized services their customers require,
- are profit centers (small, self-contained businesses, if you will) that are charged with producing profitable results

This definition excludes many other forms of teams. However, this is the one that has captured the interest of the insurance industry in recent years. It is also the one that has caused it the most grief. Here are some of the reasons why.

**Teams should be a result, not a cause.** The best structure for any company is the one that most effectively advances what needs to be accomplished. A company's strategy is determined through careful analysis of many issues: the wants, needs and expectations of those who depend on the company's success (customers, agents, employees, etc), marketplace developments, underwriting results, operational efficiency, etc. Too often, however, companies focus directly on teams as their objective without adequately considering these issues and defining what it needs. That often leads to teams that are improperly designed and implemented. Teams are appropriate when and where they are needed, but other structures can be appropriate too. One is not always better in all situations. Structure should follow strategy. It should never lead.

**Teams have a distinct purpose; they don't belong everywhere.** There is little doubt that teams are superior to a traditional functional structure when a company needs to sharpen its customer focus and improve its ability to deliver customized services to customers with widely varying needs. Companies that have done this successfully have both improved their underwriting results and lowered their operating expenses significantly.

They've done so by restructuring their line functions (sales, underwriting, policy service, customer service, claims, loss prevention, etc.). These functions touch the customer directly. That's the common thread that justifies bringing them together in a team structure. It's logical and natural. But staff functions (accounting, actuarial, human resources, systems, etc.) typically don't touch the

customer and aren't included. They provide highly specialized and usually unrelated internal services. While some of what they do may be moved into a team structure, most does not fit.

**Successful teams require leadership, not management.** Teams clearly are not traditional, functional units or departments that someone simply decides to call teams. They are a sophisticated union of disciplines and skills that require unique, non-traditional attention to work effectively and accomplish what is expected of them. Yet, most companies that implement teams don't recognize this.

Successful teams aren't managed; they're led. They're led by people who think and act like "business owners." Leaders who have an entrepreneurial vision and spirit, and can mold a group of functionally skilled individuals into a cohesive, independent-thinking and action-oriented force. Successful team leaders likely come to the job with some technical expertise, but they aren't selected because of it. They are selected because they possess these other skills. In a team structure, that's their job. People with these skills and abilities are out there. In spite of often-expressed doubts, every company has them. They simply may not be where most would look.

**Maintaining technical quality must be part of the design.** One of the fears many executives have with a team structure is deterioration of the company's technical knowledge. The assumption is that a team-based structure in which technical skills are dispersed and no longer under the care of experts cannot build and maintain as high a level of expertise as a functional structure. And when it's gone, a huge investment will be required to replenish it. But it doesn't have to work that way. Technical knowledge doesn't have to deteriorate in a team structure. And you don't have to imbed technical experts in the teams, create complex technical oversight committees or take other extreme measures to maintain team expertise. Doing these things may work, but they'll unnecessarily complicate and dull the teams' focus in the process.

A far more effective approach is to utilize highly skilled technicians in an expert role -- external to the teams but with direct responsibility for the quality of the teams' technical work. An appropriate matrix management relationship between experts and team members can be established to ensure that technical quality is maintained while improved business results are obtained. Individuals employed in this manner may not be managers in the new structure. However, in our experience, they are often better suited for and happier doing this than managing.

**Team success requires proper success measures.** If teams are to succeed as small, self-contained businesses, they have to be measured on and held accountable for their business success. But what we frequently find are measures that focus on technical quality, on things like: pricing and claim payment accuracy, policy issue and renewal timeliness, etc. Granted, technical quality is important and it's an effective way to measure team member performance, but it's not a good way to measure team performance. That's not why teams exist. They exist to develop and grow profitable business. So, it is essential that that be their focus. Measures that provide that focus include: new business growth, retention, loss ratio, customer satisfaction, agent satisfaction, etc. These are fundamental to the success of their business. If they are not accomplished, all the pricing and claim payment accuracy...etc, in the world won't matter.

If you're experiencing some of these problems, or are considering a new team structure, and would like some help, give me a call. We understand the pros and cons of all structures and know how to make them work. It's what we do. Also, feel free to check our website ([McDonaldConsulting-Group.com](http://McDonaldConsulting-Group.com)) for other topics of interest.