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Who's Responsible for What?
Moving Accountability Down Through an Organization
A Brief Case Study

A good friend of ours, who also happens to be the CEO of an insurance company, had a problem with accountability in his company and called our President, Ron McDonald for help. He was sure he was the only one who woke up in the middle of the night worrying about problems. He understood that his executives and staff were all working hard and that they cared about what was happening but they didn't have the intense degree of ownership over results that he thought they should have. This became clear to him when they had a problem with their loss ratio last year and were in danger of not making their financial and profitability goals.

He called a meeting of the key people responsible for loss ratio and he was surprised by the number of managers who showed up. It was almost everyone in the company -- Underwriting, Claims, Pricing, Sales and Marketing, Customer Service, Reinsurance and a few he didn't recognize. As the discussion started and people offered suggestions, he noticed the ideas tended to be in areas not belonging to the speaker. A clear goal of many in the room was to escape blame. Eventually they came up with an action plan . . . to study the problem and identify potential solutions.

This was quite different than what he hoped for. He hoped someone would say something like – "I've been watching this problem develop and we know what's happening. We've already put the following action plan in place. We should start seeing this turn around by the end of the quarter. We should be in good shape to meet our goals by year-end."

Instead his staff was going to start looking at it.

He asked us to look at what was wrong. Following are the main problems he had. As you might expect, there are no quick fixes for a problem that is this fundamental. The solutions got to the core of the way they operated and did business.

Accountability means having success measures and standards – They used a balanced scorecard approach to set corporate goals. Their measures were well designed and seemed to be working well. Their problem was that they stopped there and had not created similar measures for the divisions within the company and, most importantly, for the teams and units that actually did the work.

It wasn't that these lower levels in the company weren't monitoring what was happening. In fact the opposite was true. They were regularly looking at a lot of data and "stuff." And that was the problem. They were just looking at the data. What was missing was an intense focus on the few necessary success measures that must be attained for the team, unit or division to be successful that week, month and year. Without this focus, the employees tended to come to work and just do their jobs. They lacked focus and intensity at the customer contact and decision-making levels of the company. This is the level where it really counts.

Not having good critical success factors was also the root cause for another problem they had.

Focus must be on results, not just doing tasks – Their workflows and processes were fragmented. Work was done where work had always been done, in the way it had always been done. Customer

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requests were usually touched by several people before being completed. The same was true of new business, renewals, claims and almost all of the other processes. Part of the problem was inadequate and out of date systems. Another was an inefficient division of labor as service and professional departments divided up workflows. Some of this might have been appropriate but they had carried it to the point where no one and usually no team or unit owned the result.

This problem would have become clear if they had gone through the process of establishing the right goals and success measures at these levels of the company. They would have seen that their units were focusing on performing tasks and parts of processes. This would have made it impossible to create success measures based on necessary business results. But this wasn't just a work process problem; their organization structure was also a mess.

The best organization structure demands accountability – The best organization structure is one that is designed to effectively and efficiently help everyone in the company attain their goals. It doesn't impede doing things. It makes things easier.

This company had a very traditional organization made up of functional departments. This was the way the company started. It was organized around the way the work has always been done. Everyone inside the building thought this made sense. It was what they always had and what they were used to.

But the people outside the company, their agents and policyholders, saw things differently. They didn't care about the company's organization structure. They just cared about the things we all care about. They wanted their insurance to be inexpensive and provide good value. They wanted their problems and requests handled easily and quickly – generally by the person they called – without a lot of paperwork and certainly few delays. If they needed to call frequently they wanted to have someone who would know them and someone who would take care of their situation quickly. They wanted people who would know and care about them and treat them as if they were important.

People must own their results – The president wanted everyone to be accountable and to focus on creating the results that he knew they needed to attain to be successful. He wanted everyone to act as owners . . . and he told them this at almost every quarterly meeting.

The problem is that you don't change a company's culture by making pronouncements. You change it by making specific and concrete changes in the way the company operates. You make sure everyone knows what he / she and their team must accomplish and then you give them incentives to surpass these goals. You help them streamline the way they do their work and empower them to make continual improvements. You change the structure so the people who need to work together to do the best job are together. In other words you eliminate the obstacles to getting the results you need.

And lastly, you create incentives that encourage employees to no longer be satisfied with just average or expected results. You create reasons why they will want to be exceptional all the time so they are not willing to accept anything less. This means paying financial incentives for outstanding results on a quarterly basis. Annual incentives may work for management but they don't work for rank and file employees.

In our management consulting practice we help companies attain their full potential by creating naturally effective organizations. These are organizations that are so well designed that it becomes easy to be successful. This is our vision. It is what we do. Please visit our website (McDonaldConsulting-Group.com) if you want to learn more about our firm.