

## Organizational Darwinism

Successful managers are usually good leaders who ensure things get done well, on time and within budget. This is a very hands-on activity that is critical to the success of any company. When managers become executives, however, they quickly learn they must shift their focus and attention away from hands-on management and towards a broader, more strategic perspective. Instead of dealing with day-to-day activities, they focus on organizational structure, goals and objectives, compensation and motivational approaches – the infrastructure that will enable departments, units, teams and employees to be successful. Executives focus on making sure these enablers are well designed. Managers make sure the design works. Employees do the work and make sure their customers are happy.

The goal of this teamwork is to create a business culture where everyone strives to do their best; where business goals are always surpassed, where results continually improve, where you stay ahead of the competition and where you attract increasingly effective employees. Some executives do this job well and others do it really well. A key difference between the two seems to be the ability to create an environment and organization that is self-correcting; one that naturally evolves without a lot of management intervention.

So, how do you create this environment -- where creativity and change flourish and where continual improvements are seen as a core part of what everyone does? Contrary to what many people believe, one of the fundamental things you need to have to foster this kind of creativity is a good system of controls -- results based controls. This is so important you will fail without it.

Each team or department needs to know what they are accountable for, what they are expected to accomplish and how much authority they have to make changes. Clearly establishing these goals and parameters will naturally channel their creativity and make them more effective and efficient. Establishing these goals and objectives also clearly identifies what skills, systems and people are needed within the team for it to be successful. In other words, what is the organization structure you need to be most effective and efficient? It will also clarify what professional controls are needed to ensure that your core business skills are maintained at the highest level.

Putting the right skills together makes communication easier, speeds up decision-making, reduces costs and improves your final product because everyone stays focused on attaining business goals, not just doing their job or performing tasks. It also creates an environment where people learn from each other and then use this knowledge to better serve customers. Traditional jobs evolve and morph into new, more efficient positions with new ways of accomplishing goals. Better solutions continually evolve and become accepted because they work better and make sense. As long as a change helps the team attain better results, it is supported. If it doesn't, it is abandoned and another solution is tried.

For this to work, however, the manager must recognize his or her role is different in this new environment. First, she must make sure everyone's focus is on creating results that attain and surpass the team's goals. Encouragement, guidance, training, facilitation, coordination and just plain help are her main tools. She must learn how to allow people to work through problems, be creative, facilitate solutions and eliminate obstacles.

The advantage of this new business environment is that there are many more solutions, progress is much faster and people love their jobs because they helped create them. Work is exciting and vital. They own their results.

To have this work well, there are two other changes you need to make. Human Resources must understand that jobs will be evolving continually in this type of environment. This means the processes followed to create position descriptions and salary grades must be changed so they can keep up with this new dynamic environment. Reward and recognition approaches also become far more important, even vital, to maintaining the high energy level this new type of organization generates. Team recognition becomes far more important than individual results. This usually means some type of Gainsharing, team based incentive plan will work best.

An example of how this can work well is found in the new multi-functional teams that have been so successful in insurance companies. They can be designed in many ways, but here is what one may look like in a commercial property / casualty company:

- It is made up of a team of people who are responsible for all service to specific accounts and agents in a given geographic area, industry, product or combination of these,
- They are responsible for the profit, loss, growth and business health of these customers, agents and this block of business – They are frequently a profit center,
- Usually made up of Underwriters, Customer Service Reps, Claims Adjusters, Loss Prevention Specialists, Premium Auditors (for WC) and any other skills needed to provide service and manage their book of business,
- With 5 to 10 core success measures including expense ratio, loss ratio, retention ratio, growth, service standards, customer satisfaction, agent satisfaction and more.

They “own” these customers and agents and therefore are accountable for their success or failure. Everything they do is measured by how it impacts the long and short term financial results they attain, the growth of their book of business and how satisfied their customers and agents are. In this type of team a key control is the link back to senior Underwriting, Claims, Loss Prevention and other specialists who work with members of the team to ensure that technical training, procedures and decisions meet stringent standards.

Jobs and people evolve in very understandable ways within this team environment. For example some of these people spend time outside the office with customers and agents. This can include Claims Adjusters, Loss Prevention Specialists, Auditors and sometimes Underwriters. When one of these people visits a client, the customer will ask questions and expect answers that may pertain to any of these areas from the person who is visiting. In large geographic areas where efficiency requires that the team get the most out of each visit, it is critical that every person who visits a client have basic skills in all of these professions. This helps maintain excellent customer satisfaction while keeping costs down.

This same kind of change tends to occur within the office. For example, Underwriters work closely with Customer Service Reps and others. This close working relationship results in people sharing knowledge. It also builds confidence between team members. The interesting result of this is the tendency for lower paid people to identify and assume tasks being done by higher paid people. This causes work to naturally flow down the job ladder, creating new efficiencies in costs, timeliness and service.

These are only a couple of examples of what we have seen. The main point is that many things tend to be tried but only those that prove successful stay. It's a self-correcting environment.

If you'd like to explore this idea in more depth, please call me. I'd be happy to discuss how this new environment works and how to make the changes to create it. Also, please visit our web sight at [McDonaldConsultingGroup.com](http://McDonaldConsultingGroup.com), where you'll find further explanations of these ideas (and other exciting ideas) in our Concepts and Ideas section.