



Improving Customer Focus through Organizational Structure

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All insurers must compete in an economically sound way to provide a stable, self-sustaining insurance market to the business owners of our states. We must distinguish ourselves by exceeding our customers' service expectations or forever face the public perception that we are a commodity and price is our only distinguishing feature. We must also remain devoted to their economic welfare to convince our legislators and the public they serve that we contribute to the economic well being in our states. In order to meet these high customer service standards, we have to avail ourselves of every advantage. One advantage that a few insurers have used to focus customer service efforts is to re-structure the service delivery of their operations into multi functional service teams. These service teams provide an ideal way to hardwire customer focus into an insurer's culture.

Service Teams Are Customer Centric

If you have worked within the insurance industry for more than 25 minutes, you are probably aware of the functional structure of many big insurance companies. Many insurance companies organize their operational service delivery into separate

departments (i.e. claims, underwriting, safety, audit, etc.). Within these companies, every member of that department performs the same insurance function. An underwriter, for example, works exclusively within her function surrounded by other underwriters performing the same task. They generally report to an underwriting supervisor who will supervise the quality of the underwriter's work and make decisions that are beyond the skill or authority of that underwriter. In turn, that supervisor reports to an underwriting manager who reports to an underwriting vice president. Except at the very top of the organizational structure, an underwriter generally spends little time coordinating customer service with the other departments. In fact, other departments may be located on different floors, buildings or even cities from their colleagues. These organizational structures are sometimes called "functional silos."

In a functionally organized insurer, the customer often deals with many different departments within the company. Each of these departments has different rules and priorities concerning interaction with their customers. If customer service requires more than one department, one department must hand off service to another

department. If the customer contacts his insurer without knowing which department can resolve his service issue, the members of that department may not specifically know where to refer them or how to coordinate inter-departmental solutions. Worse, the service provider may not ensure that the customer is properly referred and may set the customer adrift to wander from department to department in search of a solution on his own.

By contrast, multi functional service teams are customer centric. Each customer is assigned to one team and that team services all of the customer's needs. Each team contains underwriters, claim examiners, safety consultants, policy service administrators, nurse case managers and premium auditors and others. The team focuses on exemplary customer service as its overriding and defining mission with each individual member providing a different aspect of that service. Members are located together geographically and interact frequently. Service hand offs and inter-function coordination becomes a common team function and is easily accomplished because the team members become very familiar with the services provided by their colleagues. Similarly, because the entire team reports to a single team leader, the leader can marshal resources (often at a moment's notice) to respond to all of the customer's needs. This is a particularly effective model for dealing with unhappy customers.

Let's take the example of a customer who wishes to express his concern about a recent injury in the workplace. He is concerned because he wants the best for his injured employee, but also because the cost of a claim will likely impact the price of his premium and ultimately the profitability of his business. His business has suffered a tragedy for many reasons and he needs a one-stop point of service to guide him

through the many functional areas necessary to get him the answers he needs. Using a service team model, the Team Leader can provide safety, claim, and underwriting resources at a single meeting and commit resources without first needing to obtain permission from other functional leaders. Because every service provider on the team is sitting at the table together, they have more ownership of the issues and a better perspective to obtain a complete solution to the customer's needs.

Service Teams Have a Heightened Sense of Ownership

Service team structure provides an enormous opportunity for unparalleled customer service. One of the reasons that this structure has so much success has to do with the impact it has on the team members themselves. A highly engaged team will deliver superior customer service. The service team provides a powerful opportunity for self-development, even for those employees with little or no learning intent. By their very nature, service teams bring diverse and energizing points of view to team discussions and unusual and creative solutions to problem solving. The team members directly witness how the different insurance functions create an interdependent whole for the customer.

Team members have a heightened sense of ownership in delivering exemplary customer service. The organizational hierarchy on service teams is very flat. Often, the team members report to a team leader who reports directly to executive staff. Decision making is pushed to the lowest level at which it can competently be made. The leader acts more as a coach rather than a traditional manager and relies on the team members to collaborate in decision-making. Accordingly, team members develop mutual accountability and a high sense of ownership for the success or failure of the team's

service efforts. The customer belongs to the team. The team members succeed or fail together in delivering their service. Accordingly, the team members have high expectations of their colleagues' interaction with their mutual customer. The team members know that the most important responsibilities for customer service rest with them, which serves to energize the participants. In turn, this energy improves the level of service to the customer.

Service Teams Customize Service According to the Customer's Needs

In a functionally organized insurer, each department focuses upon the most effective and efficient delivery of one aspect of customer service. Sometimes, a company will develop a cookie cutter approach to customer service in the name of efficiency. So for instance, the claims department seeks to improve the processes surrounding the report, investigation and the ultimate resolution of the claim. Though the claim examiner may know the size and sophistication of the customer she is serving, she may have no resources or desire to customize her service delivery. In less enlightened organizations, an examiner may even think that the customer is a bothersome meddler who disrupts the efficient claim resolution process.

Service teams group customers with similar service needs and assign them to a team specifically designed to meet their needs. So for instance, teams servicing large accounts will have team members skilled in stewardship and presentation; teams servicing numerous small accounts will have more administrators and automation to meet their customer's needs. Because all of the team's customers are similar, they build specialized service expertise through repetition. Because all of the team's customers are of similar importance, the team has no incentive to ignore some

accounts because they are too small. Finally, every team member sees how the entire insurance process works for the customer and is made keenly aware of the impact their actions have on the customer.

Challenges of a Multifunctional Team

Though there are a great many reasons for insurers to consider a service team structure, the organization has to manage some challenges inherent in the structure to maximize its effectiveness.

Lose Economy of Scale

When a single insurance function is aggregated into a single department, the organization will realize some efficiency through economy of scale. An insurance operation organized around service teams might lose this economy. It may have to provide resources to the team that are available somewhere else in the company. Let's take the delivery of safety services as an example. Safety services are generally delivered at the customer's place of business. In a functional organization, the safety services leader can assign the safety management consultant a single geographic area. The safety management consultant can then efficiently schedule the delivery of service so that all visits are completed in a single trip. By contrast, each service team will have its own safety management consultant. This consultant may service her customers without considering the activities of the safety management consultant on other teams. Another team (with a different customer type) may be sending a safety management consultant to the same geographic area on the same day. The company pays two individuals to visit that geographic area instead of one. The art of efficiently providing the service without sacrificing the effectiveness of team focus becomes a common concern in managing in a service team environment.

Technical Leadership Is Not Always Available at the Team Level

The team leader of a service team may have command of a single technical area from her previous positions within the insurance industry. However, the team leader will not likely be a technical expert in every insurance discipline. Many of the subordinate team members will have superior command of the technical skill set. Because the team leader focuses on maintaining a superior level of customer service, they have less direct intervention into each of the technical functions. The team leader must rely on experts outside the team to discover technical deficiencies, to train new members and to provide a layer of consistency through the promulgation of guidelines and resources. In some multi-functional organizations, this technical expertise is provided to the teams by another team or department. Though this technical oversight does provide the needed infrastructure for technical competence, it does not have the same immediacy a functionally organized insurer might provide to its technical service providers.

Managing Intra-Team and Inter-Team Conflict

In order to realize the maximum benefit from a service team, the leadership within the organization must dedicate itself to constructively resolving intra-team and inter-team conflict. Diverse members collaborate to create a shared vision. Unlike a command and control organization, the marching orders are not handed to team members pre-packaged. The team members and their leaders must dedicate time and energy to building consensus and managing healthy conflict. Engaged team members often feel more passionately about proposed

solutions than similar employees in a functionally organized environment. Like democracy, service teams can be messy in practice and more time consuming. Similarly, team members and leaders often feel a high sense of loyalty to their individual teams. They may feel a primary affiliation with the team first before the company as a whole. In those situations where decisions must be made that will benefit the whole at the expense of a single team, the leadership must ensure that the team members and leaders focus on the big picture needs of the organization.

CONCLUSION

Service teams work. They provide customer focus in ways that cannot be provided using other structures. Customer service is not something that service teams do; it is hardwired into the foundation of the teams. At the Montana State Fund, we have data that supports this assertion. After reorganizing our operations into service teams, we hired Ipsos Reid to conduct a customer satisfaction survey. We found that customer satisfaction improved in almost every area because of the service team structure. Overall, 74% of our customers indicated they were satisfied or very satisfied with Montana State Fund's customer service. We largely attribute this improvement in customer service satisfaction to our service team concept. Workers' compensation insurance is not a commodity. Price should not be our customers' only consideration when selecting an insurer. In order to enhance our industry's reputation, we must continually distinguish ourselves by exceeding our customers' service expectations. Service teams provide the focus for us to attain those customer service aspirations.