

Case Study -- Company Redesign Small, Niche Focused Property Casualty Mutual

Most employees thought things were going pretty well. They worked at a small property and casualty company in a small Midwestern town. The company was 100 years old, and most of them had been with the company for their entire careers. It was a comfortable place to work. Everyone knew their job and most didn't have to know or care much about what didn't directly impact their own duties.

The company President was not as comfortable. The company's block of business wasn't growing, yet its expenses were creeping up. Extending the revenue/expense trends showed real trouble ahead. It was hard to know what to do. Employees, agents and customers were all pretty happy. There was a great Midwestern stability and work ethic that had always served the company well. Generally things were working – except for the numbers.

A careful review of the organization uncovered the problems:

- There were too many managers with too little management going on. There were 36 executives, managers and supervisors with 5 levels of management and a total of 150 employees. Nine employees reported directly to the very "hands on" president.
- Things were missing below the top executive level. Decisions, accountability, leadership, energy and creativity were frequently not present.
- The sales force was more devoted to service than to sales. It had no formal or effective marketing and sales strategy. Sales goals were based on past performance, not what was needed,
- There was a functional organization structure, fragmented by specific line of business needs. Accountability was more focused on tasks and activities than meaningful results.

The company had many talented employees who wanted to do a good job for their customers. The conclusion was that the company needed to refocus on its business fundamentals and redesign or reinvent itself, starting with a clean slate.

Because of the uniqueness of the company and its market, a very participative approach was

chosen to accomplish this. Every employee in the company was included in its redesign. A Design Team of "key employees" developed much of the plan, but all employees had the opportunity to provide input into the process, especially for their own jobs.

The changes were extraordinary:

- Work processes were streamlined significantly creating clear accountabilities and a direct line of sight to customers.
- The company was reorganized into geographically focused, multifunctional teams with profit and growth accountabilities. Sales, administration, underwriting, claims and many support functions were a part of each team.
- Executive, management and supervisory ranks were reduced from 36 to 20. Management levels were reduced from 5 to 3. The President's direct reports were reduced to 6. These 6 executives were given more accountability and freedom to run their areas.
- A formal marketing plan was developed. The sales function was totally redesigned. Sales contracts were changed and sales goals at all levels were developed to meet the newly minted business plan for the company. Primary accountability for service was placed with the multifunctional teams.
- A Gainsharing incentive plan was developed that included all employees. Focused on the team level, it provided another good reason for employees to use their new found knowledge of the company to advance both their own and the company's success.
- An executive compensation plan was developed that linked to the Gainsharing plan to ensure the top six executives were properly motivated.

Results from these changes were significant. Immediate, first year dollar savings from efficiencies in processing and organization structure more than paid for the cost of the project, and a doubling of the annual savings is expected in the next two years. New sales increased significantly. Real premium growth exceeded 18% each year for the following two years. And it's still getting better.