Reorganizations: Enough Already

Any observer or participant in the insurance industry over the past twenty-five years can attest to the seemingly unceasing reorganizations undertaken time and time again by property and casualty companies. Indeed, an entire lexicon grew to describe this cyclical phenomenon, including words and phrases such as reinventing the corporation; re-engining the company; downsizing; upsizing; rightsizing; centralizing; decentralizing; etc.

In the midst of these types of changes, consulting firms step in to aid the company in navigating the new and uncertain waters. Two predominant approaches have emerged to handle changes created by an impending reorganization:

1. For companies utilizing a decentralized management model, consultants suggest centralization and extol the advantages including bringing all skill sets into one location, creating a concentrated brain trust and distilling decision makers into a headquarters environment.
2. Companies utilizing a centralized management model point out the advantages of decentralization including putting their talent out in the field to get up close and personal with customers.

Following this advice, many centralized companies move ahead with ambitious plans to decentralize, while decentralized companies shift gears to centralize. Both approaches have many commonalities including the expenditure of enormous amounts of time, effort and energy, and the impact of dislocation and relocation including the selling and buying of homes, transferring of spouses and their jobs, transferring of schools, leaving old friends and neighborhoods for new environments, and, understandably, massive amounts of stress.

Inevitably, several years go by and guess what? The process, the cycle, repeated itself—the now fully decentralized companies moved to centralization while the newly centralized companies moved to decentralization. Doesn’t it sound like the instructions on a shampoo bottle: “Rinse and repeat”?

The industry deserves better. It deserves a clear answer as to whether or not a particular model is better than the other. And, can we get the answer from a neutral source, someone who is not interested in selling one method or another? I believe the truth is that either model can work or, alternatively, either model can fail.

In fact, the model (i.e. centralized versus decentralized) is not the most important thing at all. Switching models in the first place may well be the first step in the wrong direction because it acts as an enormous heat sink, drawing off vast amounts of human effort and energy and investing that effort and energy into process, rather than into substantively improving the business.

At the same time, as difficult and challenging as switching models is with all of the dislocation, transfers,
relocations and other stresses, it is likely to be easier than what really needs to be done. The answer to success is not where your people are located. To me, switching your people around on the advice of outside consultants is a bit like rearranging the deck chairs on the Titanic. Cosmetically it may make a difference but the end result remains the same.

Whether you are centralized or decentralized is far less important than whether you are making the most of your people. Are you hiring the best and brightest? Are your compensation levels consistent with what talented people can demand in the marketplace? Are you training your people both early on and regularly? Do your people feel valued and appreciated?

You never hear people complain that they work in a centralized or decentralized environment. Instead, you frequently hear them say they are overworked, underpaid or under appreciated. Centralizing or “decentralizing” them does nothing to address these underlying, core issues of employee satisfaction.

Imagine the cost efficiencies and profitability that could have been achieved had the energy of the past twenty-five years spent on reorganizing been invested in other avenues such as education and training; recruiting; and enriching of the work environment.

Making real changes and improvements to quality are far more difficult than simply rearranging your people. However, the rewards to be experienced, both in terms of lifestyle and profitability, are far greater.

**Telecommuting: Time to Reconsider**

To make matters worse, recent years have seen the expansion, or explosion, of telecommuting. Desktop and laptop computers, Blackberries, pagers, Palm Pilots, cell phones, iPods and PDAs have all made it possible to work from home, a hotel room, a car or, indeed, a park bench. But, I would submit that just because technology makes something possible, does not necessarily mean the new format is better than the old. Surely, there have been savings—lesser need for office space, conference rooms or desks. But, what has been lost?

Whenever experienced folks speak of the great insurance organizations, they always talk of the culture, the spirit, the energy of the place. The place is usually one or more offices with lots of desks, cubicles, a copy room, a mail room, a lunch room or two, and of course, a water cooler.

People working in the same space together develop community—all with a common employer and, ideally, a common mission. They represent a single, united enterprise. Do hundreds of “homes offices” represent a community? Do hundreds of folks working from their cars represent a single, united enterprise?

We are left with several fundamental questions. Do you think someone sitting by the side of the highway in some rest stop, using a cell phone to retrieve a dozen messages and then returning those calls, feels part of some greater mission or team? Or, do they feel like some lonely, isolated individual trying to get through another day? Which environment would you choose for yourself, your spouse, your child—an office with flesh and blood co-workers or a parked car?

There is something natural and powerful about human beings working together. Call it a team, group, task force, committee, crew, firm, an organization, or a company. Isn’t that how we refer to ourselves: Insurance companies, insurance organizations, accounting firms, law firms? Then, why do we increasingly dismantle ourselves into individuals working alone and isolated?

Do you believe you can create an effective and efficient community by connecting people via e-mail chains? Has an e-mail chain ever created a sense of spirit or mission? Isn’t it true that e-mail chains and other abbreviated, texted messages frequently give rise to misunderstandings and, effectively, a lack or breakdown of true and meaningful communication?

Nearly every successful insurance professional will point to the significant role of mentoring in their career. They
will openly credit the valuable, day-to-day guidance received “at the knee” of one or more experienced mentors. Many will comment that the opportunity to simply watch and observe the behavior of workplace leaders provided a practical education second to none.

Now, contrast these workplace mentoring experiences with the mobile and disconnected telecommuter. Where and how does the day-to-day, issue-by-issue, task-by-task mentoring take place? Moreover, what becomes of the valuable workplace testing of ideas; the informal brainstorming that occurs in the workplace? In fact, doesn’t the need to reduce all such ideas to writing in e-mails, circulated to one or more others in some virtual community inhibit rather than encourage the floating of potentially worthwhile trial balloon ideas?

In conclusion, as 2008 begins, perhaps we can add value to our respective enterprises by first putting the brakes on any additional reorganization while, at the same time, critically evaluating the true cost and impact associated with telecommuting.

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