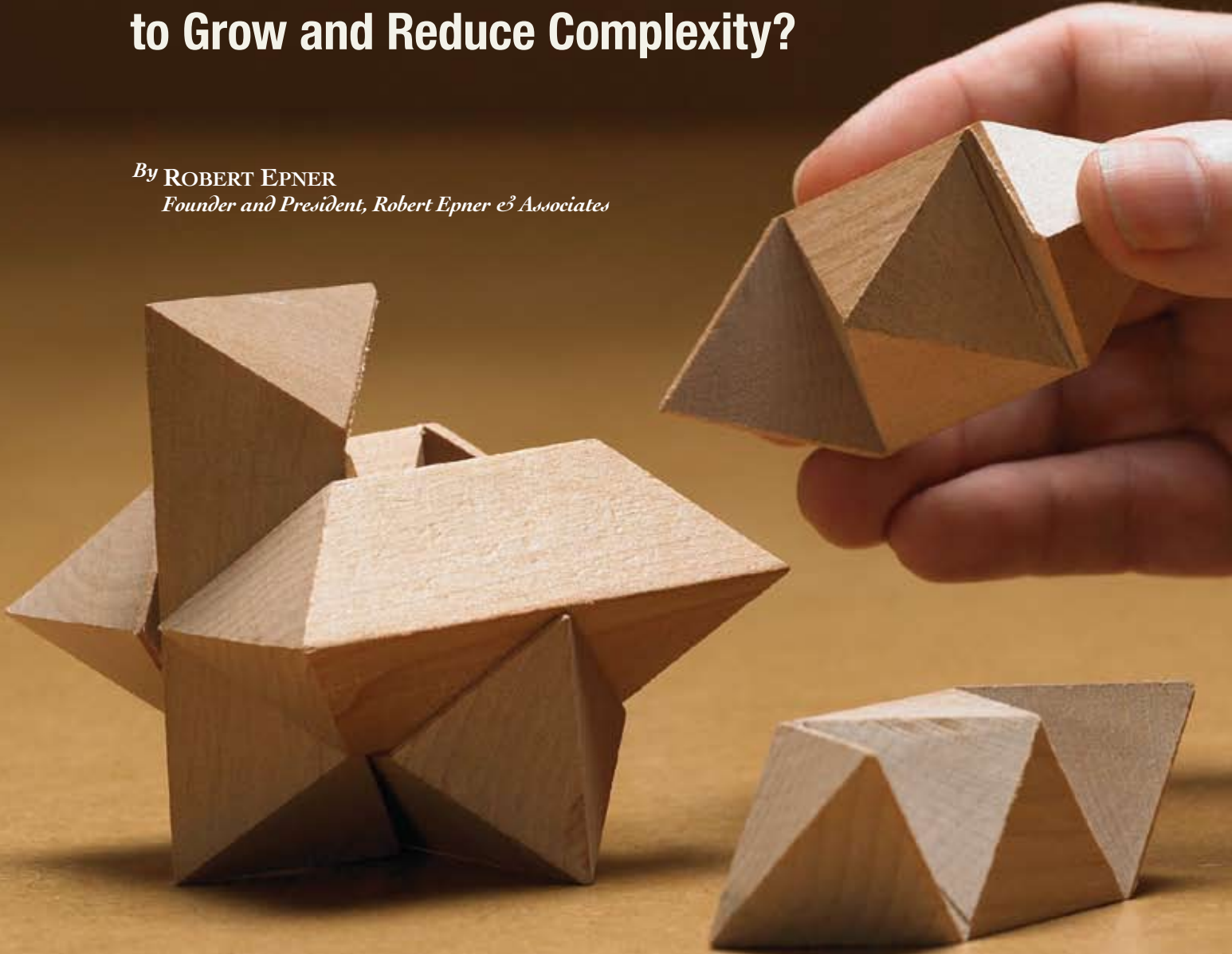


Managing Complexity to Achieve Growth and Scale

How Prepared is Your Organization to Grow and Reduce Complexity?

By ROBERT EPNER
Founder and President, Robert Epner & Associates



As the financial crisis recedes in Western economies today and growth rumbles on in Asia and Latin America, firms are looking to retool for future opportunities. Human Resources heads are busy seeking the next wave of international, culturally flexible talent. Chief information officers who have long lived with anemic development budgets are now being challenged to achieve the ideal global IT platform. Strategists are huddling to reinvent a comprehensive business operating model around governance, shared services and off-shoring.

With my current consulting hat on, I agree these initiatives can be important in developing the pieces of the puzzle for growth. They certainly can be important to the growth of the consulting community.

Yet as a former Chief of Staff and COO I am interested in how businesses will fundamentally function differently after putting these new executives, technologies, and models in place. How will companies plan differently? How will they manage differently? What is the impact on core processes? How will employees develop professionally to become more productive in this new environment? Where will the measurable business impact come from for growth and scale? How can complexity be best addressed?

In short, execution needs to be as important as growth. Too many firms are facing costs that are rising faster than revenue. Unless the underlying organization is updated and strengthened it will not be ready to meet the new direction.

In an earlier article for this publication titled "From Best Practice to Success Transfer" (*LIMRA's MarketFacts Quarterly* Summer 2009), I outlined a management approach called the "4Ps." It is an innovative approach I successfully developed and implemented for ING Asia/Pacific Insurance across 10 countries and 12 businesses. The 4Ps approach enabled 30 percent growth for the region while reducing costs from customer-facing processes by 15 percent.



Figure 1

The 4Ps approach is a soft technology that can form the underlying foundation for determining a firm's needs around talent, technology, and business models. It enables the organization to better optimize current resources before evaluating remaining gaps and it therefore increases the likelihood that the investments you do make will succeed and deliver.

The 4Ps

The 4Ps approach (Figure 1) reduces complexity by creating a common language across the organization for:

1. **Planning**
2. **Process Management**
3. **Problem Solving**
4. **People**

The purpose of the 4Ps approach is to develop clear plans with well defined quantitative measures for all businesses and staff departments and to do so in a consistent structure across all geographies. Once the planning metrics are clear, the core processes for the organization are similarly defined, documented, and measured across all businesses and geographies.

When there is a gap between the planning goals and the process performance, a common problem-solving approach is used to improve the process — an approach that can be repeated again across the organization. The *people* element is how the organization pulls together talent and natural work teams to support planning, process, and problem-solving. In the aggregate, the 4Ps approach forms a robust common language to effectively manage and reduce complexity and enable larger and more effective strategic initiatives for growth and scale.

Take the Assessment: Test Your Organization

What follows is not a test of what you know but more a health check on your organization as a whole, a way to identify areas that may need to be stepped up to meet your goals. In answering these questions, you should take a broad perspective in considering your overall organization — not just one corner of it.

For each statement in the following four sections, score your organization **1** to **5** — with **5** meaning it is fully in place and **1** meaning not at all in place.

Planning

In this section, the following statements relate to planning across each business, geography, and staff department.

1. ___ **Quantitative** There are strong quantitative planning metrics for all businesses and staff departments.
2. ___ **Interdependencies** All interdependencies among businesses and staff departments are captured.
3. ___ **Priorities** Priorities are clearly identified for all businesses and staff departments.
4. ___ **Engagement** All businesses and staff departments are fully engaged in the strategic planning process.
5. ___ **Common definitions** There are common definitions for planning metrics across all businesses, geographies, and staff departments.
6. ___ **Comparisons** Planning metrics are rigorously compared apples-to-apples across businesses, geographies, and staff departments.
7. ___ **Best practices** Credible best practice synergies are fully factored into the strategic plan.
8. ___ **Communications** There are clear communications among all businesses, geographies, and staff departments in developing the strategic plan.
9. ___ **Alignment** The plan is fully aligned at all levels of the organization (such as group, region, country).
10. ___ **Accountability** Accountability is identified at all levels of the organization.

___ Subtotal

Over 45 = Excellent

40 - 45 = Good, with room to improve

30 - 39 = Needs improvement

Below 30 = Needs considerable improvement

Process Management

In this section, the following statements relate to common processes across each business, geography, and staff department.

1. ___ **Identify** Common processes are identified across the organization.
2. ___ **Document** Common processes are documented using similar methodology and level of detail.
3. ___ **Define** The scope of common processes are defined with the same start and end points.
4. ___ **Performance measures** Common processes utilize common performance measures.
5. ___ **Comparable** Performance of common processes are actively compared on an apples-to-apples basis.
6. ___ **Standards** Process performance standards are set and monitored at all levels of the organization.
7. ___ **Common high-level steps** Common processes have the same high-level steps.
8. ___ **Control** Common processes have the same process risk management/control plans.
9. ___ **Process owners** Common process groupings have overall process owners assigned.
10. ___ **Customer Input** Customer research is done to ensure processes meet key requirements.

___ **Subtotal**

Over 45 = Excellent

40 - 45 = Good, with room to improve

30 - 39 = Needs improvement

Below 30 = Needs considerable improvement



Problem Solving

In this section, the following statements relate to common problem solving across each business, geography, and staff department.

1. ___ **Performance gaps identified** Process performance gaps are identified against plan goals.
2. ___ **Analytics** An analytical approach is taken toward process improvement (Lean, Six Sigma, etc.).
3. ___ **Common methodology** A common process improvement methodology is used across the organization.
4. ___ **Experts** Process improvement experts are developed.
5. ___ **Training** A broad range of employees are trained on process improvement.
6. ___ **Internal capabilities** Train-the-trainer process improvement programs are in place.
7. ___ **Expansive teams** Cross-business/geography/function process improvement teams are in place.
8. ___ **Standardization** Global and regional standardized processes are established where possible.
9. ___ **Alignment** Process improvement is linked to strategic priorities.
10. ___ **Inclusion in strategy** Process improvement initiatives are in the strategic plan.

___ Subtotal

Over 45 = Excellent

40 - 45 = Good, with room to improve

30 - 39 = Needs improvement

Below 30 = Needs considerable improvement



People

In this section, the following statements relate to employees across each business, geography, and staff department.

1. ___ **Natural workteams** Process natural work teams are established for process improvement.
2. ___ **Process communities** People are organized into broad communities around common processes.
3. ___ **Accountability** Process teams have clear charters and accountability.
4. ___ **Methodology** Process teams use a common process improvement methodology.
5. ___ **Mobility** Employees on process work teams see potential for mobility across businesses and countries.
6. ___ **Rotation assignments** Employees on process work teams are offered rotational assignments across businesses and countries.
7. ___ **Leadership opportunities** Cross business/country leadership positions are available for heading work teams.
8. ___ **Alignment** People development goals are linked to the strategic plan and to key process objectives.
9. ___ **Training** Process improvement training is offered to a broad range of employees.
10. ___ **Professional development** Process training and leadership training is integrated for overall professional development.

___ Subtotal

Over 45 = Excellent
40 - 45 = Good, with room to improve
30 - 39 = Needs improvement
Below 30 = Needs considerable improvement

Section totals:

- ___ **Planning**
- ___ **Process Management**
- ___ **Problem Solving**
- ___ **People**

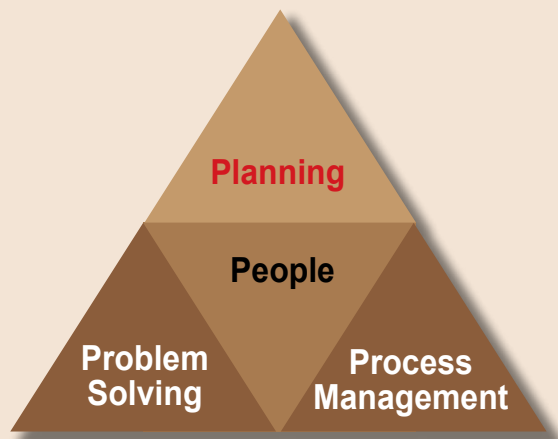
___ GRAND TOTAL

Over 180 = Excellent
160 - 180 = Good, with room to improve
120 - 159 = Needs improvement
Below 120 = Needs considerable improvement

Why Is Recalibration Important?

Stepping back from the specifics of this test, the main point is that each of the 4Ps areas provides the organization with *levers* or *mechanisms* to either “dial up” or “dial down” the level of complexity. While in calmer, simpler times, how these levers were calibrated may not have made much of a difference to an organization (hence, many of these areas might not have been addressed with much rigor), today is a different story.

As the speed, diversity, and ambition of businesses have rapidly expanded, ignoring the need for a correspondingly increased focus on managing complexity is plainly not an option. Further, by not addressing these areas, the types of initiatives many firms are now taking with new technologies, new markets, and new operating models can perversely become counterproductive — especially when old organizational complexities rapidly inhibit and stifle progress.



Establishing a 4Ps Organization

The Opportunity Many of the steps for improving your 4Ps score require few resources and will ultimately reduce costs. The steps are largely based on how best to organize and structure the enterprise. The hidden bonus in pursuing the 4Ps common language is that it fosters a high level of engagement and energy. The common language begins to facilitate an excitement around a common mission. The organization seeks to be better integrated — not to become just a more manageable bureaucracy, but to be able to take on larger initiatives and greater goals. As noted, bold steps involving talent, technology, and business models can now be taken by companies with more confidence and fewer resources. Possibilities increase!

The Challenge The 4Ps fulfillment does not happen by itself. To put the 4Ps “soft technology” in place takes concerted and sustained attention and drive. While this approach looks fairly prescriptive to implement the individual pieces, the issues are more broadly behavioral. That is why *how* you go about it is as important as *what* you are trying to change. Improvement is best done by using your own people as much as possible and having them develop in tandem with putting the structure in place.

The First Steps Well, you might ask, “If I’m going to begin to establish the 4Ps in my organization, where should I start?” A good place to start is with Planning. It is hard for the other areas to be aligned if the planning area and related metrics are not strong. To get started, you can take your cues from the test results in the Planning area. In addition, have your colleagues also get in on the act by taking the test. At that point, there will be a need to investigate and evaluate more deeply the identified improvement areas to determine goals and action steps. 🌐

Editor’s note: More best practices and tools for improving organizations will be discussed further by the author in future editions of LIMRA’s MarketFacts Quarterly.



Robert Epner is Founder and President of Robert Epner & Associates (RE&A), a specialized consultancy dedicated to helping financial services firms dramatically improve operations and expand their offering into new markets, new products, and new segments. In consulting, Epner has successfully completed engagements in

areas ranging from strategic planning to operational excellence to organizational design. Prior to his forming RE&A in 2009, Epner held multiple leadership positions at ING — most recently as senior vice president and chief of staff for ING Investment Management. From 2002 to 2008, he was based at ING's Asia/Pacific headquarters in Hong Kong where he held the positions of chief of staff and regional chief operating officer covering 12 insurance companies across 10 countries. Epner's tenure with ING began in 1999 when he joined the Americas regional office as VP Strategic Marketing. He played a key leadership role during the \$7.7 billion Aetna Financial acquisition, which included assets in the United States, Asia, and Latin America and, subsequently, led the successful Integration Team with ING's new joint venture partner *Sul America* — the largest independent insurance company in Brazil. Before joining ING, Epner held senior positions at MetLife in both its New York and Hong Kong offices and marketing positions at GE Major Appliance. Epner started his career as a consultant at the boutique strategy consulting firm the Michael Allen Company in Connecticut. He holds an M.B.A. in finance from New York University and a B.S. in finance from the University of Pennsylvania — The Wharton School. Epner can be reached at 347-635-2232 (email, robert.epner@epnerconsulting.com).

The purpose of the 4Ps approach is to develop clear plans with well defined quantitative measures for all businesses and staff departments

