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Reinventing Business Processes Through Automation: A Case Study

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EXECUTIVE SUMMARY

Although numerous firms have experimented with business process reengineering (BPR), many have achieved less than dramatic results (Davenport, 1993; Hammer and Champy, 1993; Kotter, 1995). To explore possible reasons for BPR underachievement, an in-depth case study was undertaken. The case focuses on events surrounding the redesign of a fundamental business process (Personal Lines Insurance) at Safeco Corporation. Redesign is led by the Information Systems and Services (ISS) department as they are in charge of the Personal Lines Systems (PLS) that support the business. Analysis of the interviews provides a detailed description of the project and uncovers possible reasons for failure of the reengineering effort.

BACKGROUND

Safeco is one of the largest diversified financial corporations in the United States with annual revenues exceeding $4 billion. It was founded, as the General Insurance Company of America, in 1923. Its operating companies employ more than 7,500 people in 100 offices. Although property and casualty insurance is its largest operation, the company engages in life and health insurance, real estate management and investment, commercial credit, surety and asset management.

Safeco draws its strength from its employees, innovative technology, and a conservative investment philosophy. Safeco recruits employees with excellent communication skills, the ability and desire to learn continuously, and the ability to adjust to changing environments and technology. Safeco recruiting was discussed with a senior systems analyst. "The three top skills needed in the IS (information systems) profession are communication, learning ability, and adaptability. Written, oral, memos, e-mail, and voice mail communications are exchanged on a daily basis. Our field changes daily, so you must enjoy and be motivated to learn on a daily basis. You also need to be able to adjust to changing environments and technologies because things are discontinued, companies are acquired, and standards go away" (D. Green, personal communication, August 19, 1997).

SETTING THE STAGE

Case study analysis of Personal Lines Systems (PLS) redesign at Safeco Corporation began with a site visit on July 26, 1997. Data were gathered from interviews, annual reports, observation, e-mail, and informal discussions. Four people were formally interviewed at Safeco including the Vice President of Information Systems and Services (ISS), the Assistant Vice President of Field

Operations, the manager of PLS reengineering, and a BPR consultant. Contact has been consistently maintained via telephone, e-mail, and fax. The researcher last had contact with a director of information systems (IS) on March 13, 1998.

Each interview lasted approximately one hour. The researcher used a set of open-ended questions, related to process improvement, to guide interview discussions. However, spontaneity was encouraged by allowing respondents to discuss any issues they considered important to the research. The list was checked periodically to make sure that all questions were addressed. Transcription was done within 2 days to reduce information loss.

The unit of analysis is the Personal Line Systems (PLS) reengineering project. PLS provides information technology (IT) support for the Personal Lines Insurance business. Personal Lines is a core business at Safeco that offers automobile, boat, fire, and homeowners insurance products to its customers. The focus of the redesign effort is to provide "aligned" automation of business processes in the Personal Lines business. Keep in mind that past automation was not congruent with business process changes and activities.

PLS was chosen for business process reengineering (BPR) due to heightened competition in the core business, increasing technology costs with less than encouraging return on investments, and an effort by ISS management to move toward an enterprise-wide information sharing paradigm. Competition in the insurance business was escalating rapidly because nontraditional businesses are now allowed to compete for insurance products. For instance, many banks were beginning to offer insurance products. To better serve the information needs of customers and decision makers, Safeco invested heavily in new technology. However, IT investments were hard to justify with traditional accounting methods and ISS was concerned that new systems development was not properly aligned with business processes. Finally, the long-term goal of ISS was to provide information sharing on an enterprise-wide basis. ISS realized that information would not be truly enterprise-wide unless systems were aligned with business objectives and met customer needs.

CASE DESCRIPTION

The BPR effort at Safeco is lead by ISS. Its mission is to facilitate the cost-effective use of IT in the company's basic business activities; activities intended to achieve long-term profitability and growth. In order to accomplish this mission, ISS management realizes that management support technologies should be tied to business objectives, which should be tied to fundamental customer needs. BPR is underway in ISS, but not across the organization. According to the vice-president of ISS, "BPR is internally-driven. It must be CEO-driven to work in the organization as a whole. Successful BPR requires cultural change. To effect cultural change, the mind set of people must change. To change the mind set of people, we need to model behavior. Without top-down support, the mind set of people won't change and BPR will probably fail" (D. Armstrong, personal communication, July 25, 1996).

The BPR effort originated with Jan Dyer, Director of PLS. "Jan (Dyer) was in the best position to lead the BPR effort. She had a keen understanding of the business and worked well with technology people that support and maintain PLS" (D. Armstrong, personal communication, July 25, 1996). Jan's first move was to identify a core business to redesign. "Automation of systems at Safeco is common and ongoing. But, these investments weren't really paying off. Customer satisfaction wasn't increasing and cycle time wasn't decreasing. I felt that the real problem was that the business processes weren't changing with automation. Personal Lines was chosen because it is a core business and top management felt that the PLS team was used to dealing with change" (J. Dyer, personal communication, July 25, 1996).

Top management felt that PLS provided an ideal platform to implement a large scale BPR project. If this project worked, it would provide positive inertia for future projects. The goal of PLS redesign was to reduce cycle time for rate changes and change the culture (rate changes are a fundamental business issue at Safeco, thereby, critical to the success of the business. Rate changes refer to the cost to the client for different levels of insurance coverage). Rate changes were taking approximately 18 weeks and needed to be reduced to less than 8 weeks to remain competitive. The

other problem was the organizational structure inherent at Safeco (the structure is multi-layered and rigid which impedes communication flow and makes process improvement difficult).

Any kind of major change is difficult and BPR calls for major changes in the way a business operates. "For us to get good at BPR, we must be able to cross departments and businesses with our systems. To accomplish this, our people need to be able to question the status quo. We need to be able to work better in cross-functional teams. Finally, we need to build consensus through negotiating rather than dictating. Hopefully, accomplishing these goals will help us change to a process culture" (D. Armstrong, personal communication, July 25, 1996).

PLS reengineering was the first step toward justifying the value of systematic automation of critical information systems. If top management could be convinced of its value, it could help ISS launch BPR as an enterprise-wide effort.

PLS History

Before 1970, many claims and exchanges of information were handled manually. During the 1970's, ISS began to implement PLS to move to a fully automated system. It's goal was to standardize information processing to reduce redundancies and increase data accuracy. The outcome of automation was geared toward efficiency. Safeco management was hoping to reap tremendous cost savings in terms of reduced paperwork, reduced re-keying of data, and easier access to decision making information. Safeco found that automation didn't reduce costs. Actually, costs were rising due to dramatic increases in technology updates, technical personnel staffing, and maintenance of legacy systems. Moreover, tremendous cost savings were not being realized.

In the 1980's, ISS began to refocus automation efforts on job pieces. ISS would try to shave an hour off a project on one desk and an hour off a project on another desk. The idea was to save time on a piece-by-piece basis by job task. It was hoped that the end result would be a significant savings in time for an entire job. The major problem with this type of automation was that people expanded what they did to fit the job. As such, time saved on one piece would inevitably be transferred somewhere else. This caused even a bigger problem because it was even harder to find out where and how the time was used.

In 1987, Jan Dyer began questioning the automation strategy. She noticed that automation wasn't adding value to the business and wasn't reducing total costs. Her insight was that automation wasn't causing people to work differently. "We automated systems without teaching people to work differently. We just automated a paper process without taking into account the business need and the capability of technology to completely rethink how things could be done" (J. Dyer, personal communication, July 25, 1996). BPR appeared to be an ideal approach to rethinking the business with the power of technology. During the next few years, ISS began to explore the BPR approach by sending key executives to training seminars, encouraging reading of BPR books and magazines, and adding BPR literature to the Safeco library.

During the 1990's, ISS adjusted its automation strategy to include BPR principles and behavior modification techniques. As a first step to process redesign, ISS had to map the existing process, that is, they had to find out what people actually did along the process path. To accomplish this, interviews at every desk level were administered. Two to three people were interviewed to get a clear frame of reference. A better understanding of the existing process enabled system automation to be better aligned with the business. However, it did not provide a cross-functional view of the process.

Currently, automation is becoming more cross-functional. Consensus management is becoming an alternative to autocracy. Teamwork and team charters are replacing individual tasks. Creativity is becoming an accepted ideal. ISS is encouraging people to be more creative and more concerned with the success of the overall business. Jan Dyer is charged with changing workers' current frame of reference and pushing them to think "out-of-the-box". Workers are responsible for ownership of their projects in a team setting. Jan is working to change the way people think of their work by trying to change behaviors. As a first step, she is trying to change the reward system to award teamwork, creativity, and innovation. Until the system changes, people will not be encouraged to change their behaviors. "Many times, people are waiting to be told to do something. They need to be

encouraged to think more on their own. They are not used to solving problems. We encourage this behavior by rewarding quality, individual accomplishment, and status quo thinking" (J. Dyer, personal communication, July 25, 1996).

The role of ISS is changing very rapidly. ISS is no longer just a cost center or service organization. It is a leader. ISS must understand that it serves customers across the enterprise. People are now driving IT. They expect more useful technology as IT continues to advance at an incredible rate. The major problem is that ISS is staffed with people who have not traditionally had to be responsive to external customers. Most of the people who do the work are programmers or are associated with programming tasks. "Programmers can no longer think in terms of applications. They need to satisfy both internal and external customers. They need to think in terms of customer needs since people use all of the systems. They need to look at the business process first and then see if automation will support it. ISS needs to refocus its paradigm from that of an internal to that of an external view" (J. Dyer, personal communication, July 25, 1996).

PLS Steering Team

In 1995, a steering team was formed to guide the PLS redesign project. The composition of the steering team included representation from the key partners (customers) involved, leadership positions, PLS analysts, and PLS experts. The team consisted of ten members: Anne Randall, Rich Striker, and Jim Griffiths (customers), Jan Dyer (Director of PLS), Dennis Ellermeier (Reengineering Manager), Cherly Hays (Auto, lead experience), Kory Wilson (Quality), Becky Sorenson (Customer Communication), Lynne Schoebelen (System Support), and Bette Beck (Reengineering Project Manager). The team was staffed by Deetsy Armstrong, Vice-President of ISS.

Although the CEO endorsed the formation of the steering team, he was not actively involved in any of its activities. Responsibility for success was left entirely up to ISS. It was clear from the interviews that top management was not an active participant in the BPR experience at Safeco. The reasons for this were unclear. However, the Vice-President of ISS offered some insight. "The BPR effort is not CEO-driven. It will be difficult to enact enterprise-wide change without this support. It will take time to convince the CEO of the value of BPR. Until that time, we will continue to struggle" (D. Armstrong, personal communication, July 25, 1996). Another problem is that the existing leadership is older. They grew up in a business environment that was much more stable. The life-cycle of technology development was measured in years rather than months. The idea of a flat organization was considered ridiculous.

The steering team had five responsibilities. First, they were charged with providing focus and clear direction for BPR efforts throughout the department. Second, they were supposed to make BPR happen, that is, they were the facilitators of the process and charters of the process improvement teams (PIT). Third, they were to act as coordinator and counselor to PIT. Fourth, they were charged with evaluation of PIT performance and redirection of PIT activities as necessary. Finally, they were to look at the organization from a systematic (enterprise) view to identify obstacle to BPR success. Basically, PIT were responsible for doing the work and the steering committee was responsible for facilitating PIT.

To help the steering team ease into such a dramatic change in job roles, an organizational psychologist (Peter Scontrino) was brought in to discuss what to expect from employees when undertaking a major change effort. In addition, Peter discussed what employee involvement is and is not. Suzy Maloney conducted a problem solving seminar to give the steering committee a set of tools and techniques to pass on to line workers.

The steering committee intentionally did not take ownership of the project. It wanted the teams to take ownership to increase employee involvement and buy-in. In addition, the steering committee considered itself an overseer rather than a driver of the initiative. According to the reengineering manager, this may not have been the correct stance. "On reflection, we (steering team) should have been more proactive. After all, PIT were not used to taking ownership of these type of projects. Actually, I think that the idea of ownership is great, but responsibility of success should be shared by PIT and the steering team" (D. Ellermeier, personal communication, July 25, 1996).

Culture

The legacy culture at Safeco is rigidly hierarchical. Reporting protocol requires that information be passed through the chain of command. Moreover, teamwork and process thinking is not the norm. ISS realizes that the culture must change for any permanent changes to take place in the way work is done. To combat cultural inertia, ISS formed the steering team, PIT, and invested in BPR training.

To date, the formation of PIT for the PLS and other BPR projects is the only real structural change at Safeco. The team structure is not yet mainstream. Moreover, teams tend to dissolve upon completion of projects. The reward system has not really changed. It still rewards individual performance only and doesn't really take into account creative output. Nevertheless, ISS still believes that Safeco is moving in the right direction. The fact that the PLS project is underway is evidence of the organization's commitment to change. However, it is concerned that enterprise-wide change will not be realized in the near future. "Top management is reluctant to endorse enterprise-wide structural changes. It is used to operating is a certain way. It needs more evidence of the viability of BPR before it will move" (D. Armstrong, personal communication, July 25, 1996).

PLS Reengineering

This section details the design of the project, expectations, and anticipated changes. It is organized into the five major parts of the project — automation strategy, BPR methodology, process management and support, PIT, and IT. To successfully implement the project, ISS management was cognizant of the major changes — process change, organizational structural change, and philosophical change — that would be required.

Automation Strategy

The vision that guides BPR is called the Automation Strategy for Personal Lines. The automation strategy is defined to guide the PLS redesign effort and make sure that it stays aligned with the overall company focus of providing quality and timely customer service. The strategy concentrates on developing five key areas with PLS redesign — reinventing the independent agency distribution process, being more responsive to market conditions, supporting a "one company" image, supporting multiple business models, and pushing ownership and financial accountability down to those who do the work.

Reinventing the Distribution Process.

The predominant method of distributing Safeco insurance products is through its independent agents. Since agents use IT to deliver insurance needs, redesign is focused on developing consistent input and output forms. The new interface is called single-entry multiple company interface (SEMCI). SEMCI offers a standard input/output form for all systems. The result is that agents get a consistent look and feel to the systems they use to help customers.

Being Responsive to Market Conditions.

PLS improved system responsiveness by decreasing process complexity and increasing program modularity in its legacy systems. By simplifying business processes in conjunction with system redesign, IT flexibility was increased and programs were easier to change and maintain.

Supporting a "One Company" Image.

Customers don't care how services are delivered, they just want them! Therefore, a pivotal focus of PLS redesign is to project a seamless image of the company to customers. To provide this image, redesign will need to become customer focused rather than internally focused. Redesign of the customer information database to allow 24-hour information access is the first step. To facilitate accessibility of information, redesign efforts should also include positioning point of service (POS) systems where customers really need them.

Supporting Multiple Business Models.

New ways to market and sell insurance are being developed by Safeco business partners. To support these new approaches, PLS should be flexible and responsive. The redesign effort should concentrate on modifying the existing database design to support flexible and rapid development of new products. However, database changes will not help unless the IT management structure is redesigned to respond more quickly to business needs. Structural changes should concentrate on flattening the IT organization and redeploying displaced people to other areas in the organization.

Create Ownership and Financial Accountability.

Systems span functional departments and even organizational boundaries. Hence, PLS needs a new and broader way of looking at their systems. Better communication is needed between the business and IT units. The concept of strategic investment has been introduced to address this problem. The strategic investment approach begins by identifying the systems that are considered strategic. The next step is to separate the normal management activities from funding issues. This reduces the pressure of trying to justify cross-functional systems within a single department's budget. Expense is charged by usage rather than to a particular department. This should increase ownership since users pay for their own systems.

What Went Wrong - Automation Strategy

Technology projects like SEMCI interfacing, POS, and program modularity development have been successful. However, these projects are technology-based and require little cross-functional cooperation. Cross-functional ownership and accountability initiatives haven't fared as well. People across functions are not used to working together and have no real incentive to do so. Moreover, the organizational structure and environment hasn't really changed. What is clear from the case is that the support role of top management is not active. PIT is charged with doing the work. ISS is charged with facilitating PIT. Nevertheless, top management is not actively involved. It expects ISS to make the project work. Without cross-functional support, PLS redesign will probably be just another automation project. The major goal of the project — alignment of technology changes with cross-functional business processes — will most likely fail.

Reengineering Methodology

There are three parts to the Safeco BPR methodology — investigate, redesign, and implement. "As we start this journey, we need to take stock of where we are today, decide what our destination is, and develop an itinerary to help you (the PLS reengineering team) decide how and when to join this journey" (B. Beck, personal communication, January 12, 1995).

The first step is to identify (investigate) what the project is supposed to accomplish. An investigation team (with a representative from each unit) is formed to identify core processes, gather ideas and feedback, participate in brainstorming sessions, and develop cost/benefit analysis. Final approval is made by the vice president of ISS.

The second step is to redesign poor processes identified in step one. Redesign involves taking stock of what is happening today, brainstorming alternatives, and selecting the most viable option(s). Solutions are then presented to the department and business partners to get help in deciding which is the best one. The teams responsible for redesign are called process improvement teams (PIT). These teams are chosen by management based on expertise along the process path. The overriding mission of the PIT is to redesign processes to do more, faster, at a higher level of quality, with the same number of people.

The third step is to implement the best solution. Prototyping is an effective method for testing out ideas prior to full-scale implementation. "We do a good job with prototyping. For instance, we prototyped a small rate change and a small project in the context of redesigned processes to test for effectiveness. Prototyping helps us get the bugs out of a system before we put it into production" (D. Ellermeier, personal communication, July 26, 1996). The PIT needs to understand that the scope of the project must address the entire business process. Optimizing particular parts of the process may

not be beneficial to the process as a whole. Although the PIT is responsible for implementation, explicit and active vice-president support and sponsorship is critical.

The BPR project is conducted along the model of a regular project. A dedicated project leader directs the efforts of the PIT. Management oversight includes sponsorship at the vice- president level or higher, significant guidance at the director level, and detailed guidance at lower levels of management. Using the regular project methodology for BPR is useful because everyone is comfortable with how it works. Radical change is important, but development and implementation procedures should not be.

What Went Wrong - Reengineering Methodology

ISS realizes that its methodology has problems. The redesign stage of the methodology could be more systematic. "Our methodology is not as systematic as we would like, but we continue to work toward a better way of approaching BPR problems. Our up-front planning is pretty good, but the redesign stage could be enriched" (D. Ellermeier, personal communication, July 26, 1996).

Another major problem not addressed by management is the lack of BPR training for the PIT. The PIT can read material on BPR housed in the Safeco library and learn by doing. However, formal training of the methodology is not in the budget.

Process Management and Support

The mechanisms in place to encourage change include a PIT structure for attacking business process problems, a steering team to guide teams, an initiative to change the existing reward structure, and vice-president support. The BPR team structure consists of a steering team and PITs. The steering team sets milestones for BPR projects, selects project priorities, and facilitates PIT efforts. The PIT does the work. Vice-president support is leveraged to reduce or remove political obstacles to clear the way for change. Vice-president support is visible and active. The vice president of ISS takes pride in their department's role in PLS reengineering. "Our department (ISS) leads the reengineering effort for the entire company. We are proud of this, but we hope that upper management will take a more active role in enterprise-wide BPR. We think this will happen, but we must first show the company how much value can be gained from our PLS efforts" (D. Armstrong, personal communication, July 25, 1996).

The steering team and vice-president are involved in major decisions, but the goal is to push decisions down to those who understand and do the work. Although decisions are made at a lower level, the PIT should report proposed changes to the steering team for feedback. The steering team is in place to facilitate the decision-making process, not direct it.

The process manager (PIT leader) makes sure that redesign efforts get done in a timely fashion. He or she works with a system manager to make sure that business changes can work with system changes. The process manager directs the resources to projects. The system manager is responsible for system integrity and individual systems development to support the project. The process manager has equal or greater authority than the system manager during the time the resources are dedicated to the project. In other words, he can stop the system manager from jerking the resources away from the project.

Although the process manager is the team leader, he or she does not dictate team policy. The team works together, *as a team*, to make decisions. However, with autonomy comes responsibility. The PIT is responsible for measuring and meeting target outcomes, that is, they are responsible for the success of the project. The support structure is in place to provide resources and organizational support.

The culture is changing in several ways to facilitate teamwork. System managers are working together to select the best project manager candidate for a given project. In addition, team selection begins before a new project is started. Finally, buy-in from the vice-president level is sought early on in the process. However, some cultural issues still need to be addressed. The existing reward system is still based on individual performance. Unless a shift is made to rewarding team effort, team work will not flourish. Physical separation of team members continues to be a potential problem, but

relocation is not a reality at this time. System and project managers will continue to have conflicts because each has a natural tendency to look out for their own best interests. The support structure (vice president and steering teams) must continue to address these issues and intercede, where necessary, to resolve conflicts.

What Went Wrong - Process Management and Support

The PIT structures are relatively flat, but the environment where process changes are made is not. Dramatic process change across functional lines will be difficult until the organizational structure changes. As successful BPR projects are finished, the company should better understand how to recreate its structure. In the meantime, the focus will be on developing more of a process perspective among all employees. System managers need to continue to work with project managers to identify the best candidates for projects. Employee and system managers need to work together to identify growth opportunities. Another problem area is the reward structure. Since the new reward structure is still in its infancy, it will take time to modify it to foster team effectiveness.

Real change has been very slow due to lack of enterprise-wide support. Since ISS is spearheading the BPR effort instead of the CEO, cross-functional obstacles to change are still in place. Although it is relatively easy to achieve cycle time reductions in individual activities, it is extremely difficult to achieve overall (real) cycle time reductions across entire cross-functional processes. Given the current stance of top management toward BPR, real cycle time reduction will most likely be minimal.

PIT

PLS has excellent people, but they might not be deploying them in the most effective manner. Hence, the team staffing strategy is focusing on building teams that will work on cross-functional process problems rather than departmental or functional ones. Training to cultivate a process-oriented mentality is a priority. Courses are being offered to help managers and team members excel in a team-oriented environment. Examples of courses include *Leading and Facilitating Effective Teams and Meetings* (provides practical techniques in creating a successful team and getting the most from meetings), *Getting to Yes* (focuses on negotiating and conflict resolution skills), and *The Team Approach to Quality* (shows how each person on the project team plays a critical role in creating a high quality product).

An effective tool to get team buy-in is the PIT team charter. The charter is a formal contract with team members. It acts as a rallying point to get everyone on the same page. The charter includes sponsorship, objectives, ownership, and resources. Each team has a sponsor. The sponsor is a person (or persons) to whom the team is responsible or reports. The sponsor acts as liaison to management. The charter statement is a document that includes general objectives and a brief description of the process problem. The document passes ownership of the process problem to the PIT when it agrees to the charter. The charter also describes how the project links with BPR objectives. The resources needed by the team should be outlined in the charter. Resources may include funding, team training, support staff, materials, and access to documentation and data. In addition, reporting guidelines, milestones, project completion dates, deliverables, and celebration guidelines should be a part of the charter.

PLS has articulated a strategy for building successful teams. Team member selection is at the heart of the strategy. When identifying team members, the following should be considered:

- Ideal team size is 6-8 people. absolute maximum is 10.
- Members should be people who work closely with some aspect of the process
- Candidate should have appropriate technical knowledge to be a meaningful contributor
- Candidate should have understanding of his work unit and be able to describe its work flow
- Candidate should understand business impacts of project and business strategy of department
- Team composition should include people along the process path (upstream and downstream)
- Team representation from groups likely to be affected by process changes is desirable

- Team member is allocated resource to project, not intrusion on their "real job"
- Candidate will have *time* for team meetings and assignments
- Diverse make-up of personality styles (drivers, analyticals, amiables, expressives) is desirable
- Team member should be open to feedback from others, interested in innovation, focused on team goals over individual ones, willing to express point of view, willing to take risks, able to meet deadlines, listens to others, and willing to think "out-of-the-box"

Although team composition is very important, it takes a special kind of manager to foster teamwork. Managers need to be role models as well as coaches. If managers want real process improvement, they have to lead change. They have to show others that they are willing to take risks, think "out-of-the-box", and continuously learn and strive toward process improvement.

What Went Wrong - PIT

The team charter transfers ownership of the project to the team. It also lays out the guidelines for reporting, resources, and authority. It is an excellent first step toward creating real empowerment. ISS appears to understand that its people do the real work by encouraging teams to develop their own team charters. However, the existing environment is still rigid and functional. Political problems continue to surface as the charter takes the team across functional lines. "Business people across functional lines want Safeco to be excellent. They want to improve customer satisfaction. They also want quality information from PLS. However, they don't want to change unless they are convinced that it will help the business without hurting their position in the organization. Active CEO involvement would greatly help, but is not forthcoming at this time" (D. Ellermeier, personal communication, July 26, 1996).

IT

Technology is often the enabler. Technology provides opportunities to revamp labor intensive work flows (policy assembly vs. laser statements), rethink third party communication (paper vs. EDI), and refocus on core business processes" (B. Beck, personal communication, January 12, 1995). PLS reengineering is lead by ISS because IT is at the heart of all Safeco businesses. Rate changes, document processing, claims, communications, and information flow depend on IT. PLS reengineering won't work without it. IT is really the enabler of other BPR enablers. IT is used to facilitate the BPR methodology, help people solve problems, and help information flow in a flatter organizational structure.

Process improvement is not new at Safeco. ISS has been automating its systems for many years to cope with changes in the marketplace. Many of the existing PLS processes are already automated with IT. What is new is the idea of BPR. Automation of a poorly designed business process merely speeds up bad quality. However, redesign of an existing business process, with IT, can greatly speed up a well-designed process and improve quality at the same time. Expected performance improvements include reduced cycle time, increased quality, and improved customer satisfaction with the same number (or fewer) of people. However, these improvements may not be possible without major changes to the structure of its information systems and the structure of the organization.

PLS reengineering has caused ISS to rethink its approach to IT. Safeco technology is predominantly mainframe-based. However, the mainframe is not necessarily a problem. The mainframe can still be used for processing large volumes of information while newer technologies can be used as front- and back-ends to the mainframe. In addition, newer technologies are being developed to work with the Internet. The key is rethinking and redesigning business operations using IT as the predominant facilitator. A potential danger is relying too much on IT to solve problems. Technology is not a panacea. It is a tool to facilitate BPR.

Workflow automation is the glue that ties the PLS reengineering objectives — planning and prioritization, teamwork, and system redesign — together and workflow automation depends on IT to make it work. To automate redesigned work flows for future flexibility, the future of technology at Safeco must be considered. For instance, the future LAN environment, the internal controls requirements, and the future of the mainframe environment at Safeco should be integrated with all

redesigned business processes.

ISS has in place a BPR methodology, a team structure, and is changing its organizational environment to facilitate workflow automation. It needs to continue to work closely with business managers and business partners to integrate technology into its business processes. Once existing business processes are mapped, they need to be redesigned with the enabling power of IT in mind. To make this work, the PIT needs to have representatives from both the business process and ISS.

What Went Wrong - IT

Automation with technology is a priority at Safeco. Safeco also realizes that redesign and automation go hand-in-hand. The major problem is that the BPR effort is spearheaded by ISS. This is not a weaknesses in and of itself. However, the implications are that top management is not really an active supporter of the BPR effort and definitely not a visible one. Although IT is the lifeblood of information flow, top management has the only real power to remove cross-functional roadblocks and make permanent changes to the organizational structure.

CURRENT CHALLENGES/PROBLEMS FACING THE ORGANIZATION

The lack of active and visible top management support permeates the case study. It appears to be the critical flaw in the Safeco BPR plan. The basic parts are in place. PLS has a rigorous automation strategy, reengineering methodology, team charter, and a PIT structure. It also embraces IT as a primary facilitator. However, only functional improvement can be achieved without enterprise-wide support.

The organizational structure is not flat and is not very flexible. The PIT structure is a great start, but the limitations of the work environment will most likely impede any real cross-functional success. Within the PIT structure, people have real empowerment. Outside the structure, empowerment is not the norm. Problems arise when trying to enact permanent cross-functional change because some people involved along the process path are never involved.

Process improvement through automation is very common. However, process redesign in conjunction with IT automation is relatively new. Alignment of IT with process change is difficult because the organizational structure is not flattening as quickly as automation is taking place.

By their own admission, they are not there yet. Safeco realizes that its organizational structure cannot change overnight. A better understanding of the positive impacts and consequences of BPR must be understood before major change can occur. All Safeco employees must understand why changes are needed for BPR to work well.

The researcher recently discovered that the PLS reengineering project is no longer active. “The PLS project fizzled out. We have turned our attention to other projects” (C. Purcell, personal communication, March 11, 1998). The failure of PLS should not be a surprise because of the limitations brought out in the case. The researcher’s major concern is: as Safeco moves to other projects, are they really addressing the root problem?

Although the case uncovered several potential problems, the company may not be able to address them all. In this case, top management support is the critical issue. Two other important issues are the current organizational structure and the reward system. Safeco is focusing its attention on other projects it considers more important at this time. Keep in mind that Safeco is undergoing tremendous growing pains and it will take time before the organizational structure can change. In addition, it seems that top management is reluctant to actively commit to BPR.

Safeco appears to be moving in the right direction in several areas. It has established an excellent team charter to pass ownership to team members, identify reporting responsibilities and sponsors, and grant authority to make decisions. It also has an excellent automation strategy which details overall objectives where redesign with IT can be used to improve existing business operations. Directives are set up to help clarify the roles, responsibilities, and authority of process managers and system managers. The directives call for process managers and system managers to work together to solve real business problems rather than wasting time over political turf battles. The company is also very aware that automation without redesign may not work well since it has been automating for

many years with less than optimal results. Finally, the attitude at Safeco is very positive. Safeco employees really care about their company and want to make it better. Safeco management appears to be working very hard to create an excellent environment for change.

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