



SOCIETY OF ACTUARIES

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## THE COMPLETE ACTUARY

# Reengineering: Here today, gone tomorrow?

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“Reengineer your business” is the new mantra of management experts. Michael Hammer’s article, “Reengineering Work: Don’t Automate, Obliterate,” in the *Harvard Business Review* (July/August 1990) and the bestseller, *Reengineering the Corporation*, which Hammer co-authored with James Champy, outlines this concept, which has hit a nerve with corporate America. With the survival of many companies in question, is reengineering the answer? Or, is it another management theory that is here today and gone tomorrow?

In John Sardelis’ review of the Hammer/Champy book in the November 1993 issue of *The Actuary*, he raised the same question, “Is reengineering the latest idea destined for the management theory junkyard?”

### Asking the right questions

Reengineering promises to deliver dramatic improvements in performance. One way this is accomplished is that reengineering forces companies to rethink the fundamentals of their businesses. It is easy to be so immersed in day-to-day tasks — making decisions, following procedures, completing reports — that often no one takes the time to ask, “Why are we doing this?”

Peter Drucker, the management guru, teaches a course on “The Effective Decision” at the Peter F. Drucker Graduate Management Center in Claremont, California. He observes that American companies take pride in making quick decisions. Unfortunately, the decisions are often wrong, because the right questions were not asked.

### Nurturing innovation

Companies acknowledge that innovation can be a major source of dramatic improvement in performance. Few succeed in nurturing and sustaining innovation, however. Reengineering involves redesigning business processes, using tools made available by modern technology, and encouraging employees who actually perform the work to participate in decisions. This could encourage the type of creativity and energy necessary for innovation.

### Continual self-evaluation

Insurance companies with a culture steeped in tradition and with a tendency to follow time-tested procedures are not able to respond quickly and adapt to the many changes in the industry. They soon lose their competitive edge. An ever-changing environment demands a company continually evaluate where it is, where it wants to go, and how it is going to get there.

Reengineering may get you there, but the trip will not be easy. It can be very disruptive and unsettling for a company. It is hard for a company to question its traditions, culture, and assumptions. It is difficult to discard outdated management ideas and work processes, to embrace new technology, and to adopt a new way of thinking and doing things. It is not easy to pursue a vision and to have that vision shared by employees and believed by customers.

With one crisis coming after another, many companies may find reengineering more acceptable because it promises a way to avert or resolve a crisis. In that way, it may persuade a company that it is all right to ask difficult questions, that it is not too difficult to change, and that it has the resilience to bounce back and leap forward.

### Society meeting sessions offered

How does a company reengineer? Why and when should a company reengineer? What does a reengineered company look like? Look in your spring programs for sessions at Society of Actuaries meetings to help you with these questions.

For example, the Committee on Management and Personal Development and the Computer Science Section are sponsoring two sessions at the SOA spring meeting in Orlando, April 20-22: “Optimizing Your Efforts: Reengineering Process” and “Reengineering through Team Syntegration.” These sessions will teach the basic concepts, while recognizing the human costs and benefits. They will help actuaries develop techniques to increase the chances of their companies’ successfully reengineering. The Computer Section also is offering a session, “Reengineering Actuarial Systems,” at the Orlando meeting.

The teaching session, “Optimizing Your Efforts,” provides practical insights and case study examples from the hands-on experiences of the faculty. Elaine Miller and Michael Keane teach the session and are consultants in Peat Marwick’s General Insurance Practice. Both specialize in business process redesign and organizational change.

Understanding the theoretical aspects of engineering — its concepts, principles, and tools — is not difficult for actuaries. Reengineering a corporation, however, goes beyond understanding the theory. It involves the human factor, which poses the greatest challenge.

Joe Truss, president of Team Syntegrity, conducts the workshop on “Reengineering through Team Syntegration,” which is a model for structuring teams for more effective

