

Are You Getting Full Value from your Success Measures?

Our President, Ron McDonald, gave a presentation on Performance Measurement at the IASA (Insurance Accounting & Systems Association) annual meeting in San Francisco on June 4th. Here is a part of that presentation you may find interesting:

“Every insurance company needs to have and use core success measures to ensure it will be successful. These are the small number (usually under ten) of critical measures that define an organization. When you attain them, you’ll be successful. When you don’t, you won’t. They help provide two of the three characteristics all successful insurance companies need -- clarity and focus.

Following are the most common mistakes companies make when creating their success measures:

1. Companies frequently start with the information that’s available -- instead of identifying the kind of company they want and need to be and then determining what they need to measure to get there.

The best place to start is by identifying the *Needs*, *Wants* and *Expectations* of your three major stakeholders;

- The people you serve and work with -- your customers, agents and other partners,
- The company itself and
- Your employees.

Knowing what they need, want and expect and then resolving the conflicts that always arise from this exercise will clearly identify what you need to accomplish to be successful.

2. Measures aren’t quantified. For example, wanting to have “world class” quality is not a success measure. It’s probably more of a vision or a hope. An example of a success measure is to “have all policies issued in three calendar days” or “have agency satisfaction survey results of 93% or above”.

3. Measures are not complete or balanced. It’s easy to miss a core success measure. This can be a very serious problem as everyone intensely works at meeting and surpassing these measures. For example, several Malcolm Baldrige award winning companies believed that they would be successful by just focusing on quality. They learned the value of complete measures, especially financial measures, when they went bankrupt.

4. There are too many success measures. Companies should focus on the core success measures that drive the success of their organization. This is almost always less than ten measures. More than this creates confusion and distracts employees from what is critical.

A while back we were called in to help an insurance company that had 32 corporate success measures. They attained 29 and many people in the company felt they had done an excellent job that year. Unfortunately, among the three they missed were profitability and growth. This never would have happened if they had pared their measures down to the critical 8 or 10.

5. Only having core success measures at the corporate level. Believing that corporate success measures alone will drive the right behaviors and results throughout the company is always a mistake. We understand that every company needs success measures for the overall corporation. They determine the direction and success of the company. They drive results and behaviors for the executive group. Corporate success measures are necessary and important.

But the real value from core success measures comes when you drive this process down through the company and create core success measures for each team, unit and department. Identifying and holding them accountable for the results they control creates the clarity and focus you need throughout the company.”

Other subjects Mr. McDonald covered were how to establish “expense allowables” and how to design an incentive compensation plan around a unit’s core success measures. If you’d like a copy of his slide presentation or would like to hear more about this, give me a call or send me an Email.

Our firm helps insurance companies make improvements in the fundamentals that drive their success. What could be more fundamental than how you measure your success?