

## Becoming a Lean Organization Usually a Two Step Process

Almost ten years ago we described the insurance company that would be most successful as -- *“market-focused, niche-driven, lean, flexible (and) fast to react to market needs. Most importantly, it has low expense levels.”* We believe this is even truer today than it was in 1996 when we published our article Fundamental Change and the Bottom Line in Best’s Review.

The underlying key to every company’s success is always the ability to provide exceptional value to its customers. This doesn’t mean you have to be the Wal-mart of the insurance industry. But it does mean you have to understand what your unique stakeholders need, want and expect and consistently satisfy them better than anyone else. A major ingredient in this formula is having a price that is better than your competition, considering what you provide.

Rarely can this be accomplished without having a lean organization. And even if you could, why would you pass up the opportunity to really excel by taking this next step? So what’s a lean organization? Our definition is – an organization that is customer centric, is committed to continuous improvement and has an efficient infrastructure, a culture that abhors waste and a fierce dedication to excellence. A lean organization consistently meets or exceeds all of its core success measures. It invests its resources only where there is a clear financial advantage.

As organizations focus on becoming more efficient they tend to start with their operational areas. These are the departments, profit centers and teams that deal directly with customers. This is the best place to start because this is usually where most of a company’s expense is located and where improvements in efficiency and customer satisfaction will quickly drop to the bottom line. It is also relatively easy to get a clear picture of what your customers want so you can create the metrics that describe the results you must achieve. This is essential in determining how much improvement is needed and what you must specifically change. Then it’s just a matter of accomplishing all of the hard work necessary to close the gap.

Note: I don’t mean to minimize the effort and difficulty this accomplishment entails. Anyone who has gone through this redesign understands how challenging and gratifying it is. And it’s an ongoing effort.

Unfortunately too many companies stop here, declare a victory and move on to other opportunities. They don’t take the next step, i.e., accomplishing the same results in their staff and support departments.

If you don’t take this next step, you not only miss the opportunity of attaining the expense level potential that will provide your customers with the highest value but you could also jeopardize the good work done in your core operational areas. It can be very divisive when half your company goes through an intense redesign effort and the other half doesn’t. It could split your culture.

The key to closing this gap is to create the same focus, metrics and environment in your staff and support areas that you created in your core operational teams. Here is a checklist of some of the things you can put in place to help determine how much change is needed and what specifically should be improved.

- Customers – Every support unit must have a customer who determines, in a meaningful way, if they are doing a good job.
- Service agreements – Annual agreements between each support area and its customers about what will be accomplished and how they will work together.
- Core success measures – These are the 6 to 10 metrics that determine if the department is providing the value it is designed for.
- Expense allowables – The formula that determines the budget allowed for each support area.

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