

Management Concepts

Over the years we have accumulated, and sometimes identified and refined, concepts that we believe every good manager should understand and follow. Periodically it's good to look to the past to see what we've accomplished and then to the future to what we need to change. I thought it might be interesting to share some of these ideas. You might recognize some of them from previous letters.

Always do what is right; No concept is more powerful – Always keep the best interests of all of your stakeholders in mind in every decision you make. Great organizations are not built on greed, short term advantages or unfairness in any manner. Companies are successful over the long term because they provide needed products, great value, excellent service, very competitive prices, keep their promises and can always be trusted to do what is right, even when it is difficult.

Employees (and customers and agents) always know what is really happening – Never try to spin the truth, tell half truths or lie. It doesn't work, is inefficient and you'll look foolish.

Have the best people in key positions – This is one of the most important things a manager can do. Having the right people can overcome most other deficiencies. This was one of the main points that Jim Collins made in his book Good to Great. They must be able to do their job with little supervision, be effective team members and have the skills and creativity to take your organization to the next level.

Demand competency, reward excellence – Everyone in the company should do their job well. The only exception is when someone is being trained or learning new skills. This creates an environment of professionalism, respect and dramatically improves efficiency. The need for checking, quality control and supervision is minimal. But this is only the first step. Once this has been attained, be sure to reward teams that are no longer satisfied with average results. Install a Gainsharing incentive plan that provides quarterly incentives for consistent, above average performance. This will raise the performance bar so no one will be satisfied with just average performance. Once accomplished, you will no longer compete. You will become the competition.

Provide an environment where excellence is expected but mistakes are tolerated – Our president says; "Show me an executive who hasn't been demoted or fired at least once and I'll show you someone who hasn't been working up to his or her potential." Pushing the envelope and creating truly outstanding results means that an occasional mistake will be made. Evaluate each one. There are good mistakes and bad mistakes. Never tolerate errors involving honesty or integrity, or errors that indicate a fundamental flaw where training will not improve the situation. Accept and use mistakes when more experience or training can fix the underlying problem and make the individual better.

You get what you expect and ask for – Employee abilities and skills are almost never the reason why companies cannot achieve the goals they need. In most companies they are underutilized and under challenged. The key to success in many situations is to clearly identify what you want done, make sure you have the right infrastructure to support the behaviors you need and then challenge and reward employees to exceed your expectations.

Drive accountability throughout the company – Accomplishing this is a lot of work but always worth it. It starts with ensuring each division, department, unit and team has clear, quantified measures of success that are understood and supported by their employees. Individuals must also have standards of performance and goals that ensure their contribution supports these goals. Weekly and monthly performance results must be shared and meetings held to identify shortcomings and action

plans. The final test – You should be confident that you can ask any employee how their team is doing, what problems or opportunities they are working on and how their action plans are progressing and get a clear, concise and proper answer.

Turn everyone in your company into a business owner – Employees within high intensity organizations view their units or teams as if they were separate businesses within the enterprise. Regardless of what they do, they understand they have revenue, should make a profit, must have satisfied customers and do their part in making the overall company successful. You need to make sure the right measures and infrastructure are in place so they can quantify and measure their success at least every quarter.

Understand when team goals work better than individual objectives – Employees should be held accountable for results they control. Some things they do are personal and entirely under their control, like the way a CSR handles a customer on the phone or the way an underwriter learns a new product. But other goals can only be accomplished as a part of a team, like controlling loss ratios, expense allowable results, sales growth and premium retention. Making teams of people accountable for team results allows employees to step outside their own specific jobs to help their team achieve larger goals.

Create a naturally effective organization – The best companies, departments and teams are designed to be successful. Employees make the right decisions not just because they are right but also because they are easy. You have an infrastructure (success measures, work processes, systems, organization structure, job design, etc.) that supports what you need done. Organizations are like machines. When there is a lot of friction, noise and difficulty, there's something wrong. Efficient and effective companies work smoothly and quietly. Make sure your infrastructure allows you to be naturally effective.

Organization structure follows so it can lead – Having the right organization structure can be one of the most powerful management tools you can have. It will make the right things easier to accomplish. It will slow things down when that is needed. But the best structure evolves from and can only be determined after you make a lot of other decisions.

Never take action without a clear understanding of the results you will and must attain -- Insurance is a business and, as such, all decisions can be quantified financially. Major efforts that lack clear financial and other concrete, quantifiable deliverables are always mistakes. This is especially true of systems and marketing efforts. It is difficult to attain good results from these projects even when you have clearly defined deliverables and quantified financial goals. It is impossible without them. "Waiting to see what happens" usually means that nothing will happen.

Keep overhead to a minimum – Companies are made up of three types of people and units; those that serve customers and are directly involved in bringing in revenue, those that support the units that serve customers and those that do other things. Companies usually focus most of their efficiency efforts on the first group. This is good but don't forget the other two. Support areas naturally tend to bloat. They tend to accumulate people, have vague goals and deliverables and ill defined success measures. Make sure you have a process where every area in the company must justify their existence and cost by proving their value each year in a real, quantified manner.

If you'd like to discuss any of these concepts please call me or send an Email. Also please visit our web sight at McDonaldConsultingGroup.com. You'll find further explanations of these ideas in our Concepts and Ideas section.