

Employees as Stakeholders – The Payback Starts at Level III

The importance of dedicated, creative and energetic employees to the ultimate success of every company is almost a universally held truth. Unfortunately, there is a huge gap within our industry between all of the companies that say they believe this and the few that actually implement this idea in a meaningful way. Those that are successful create an “ownership culture” -- a culture (company environment) where employees are enabled, encouraged and even required to act as owners, accountable for the business results they create.

Creating an ownership culture doesn't just happen. It is the result of very specific actions and changes. The key is in knowing what specific changes you need to make to attain this very high level of commitment from your employees. Let me explain a process that will help you both identify the changes needed and gain the support of your employees. Following is a description of a recent exercise with a client and what was learned. You can compare your situation. I'm sure you'll find similarities.

First, we met with groups of employees and asked them what the company could or should do to make it a better place to work and to make the company more successful. This was the only question we asked. We wanted the answers to be freely given, without any outside biases or influence. We got pretty much what you'd expect. It was the usual list of wants. It included: Job security, More money, On-site daycare, Flexible hours (or more flexible hours), More time off, Etc.

We called this Level One. As you can see, it's pretty one sided; more of a wish list than a practical list of changes we might make. But it was a start, actually a good start. It enabled us to have another round of meetings with these same employees to take the conversation to the next level. We wanted to identify how we could expand, delete or redefine our list to form a real partnership between the company and its employees so both would win.

We began our Level II meetings with a review of the suggestions we received from the previous round of meetings and a discussion about it being unrealistic to expect these new benefits would be just “given.” Instead, we talked about how they needed to be “earned” and perhaps even redefined.

For example, the request for job security, which started as a desire for a commitment from the company to never fire anyone, transitioned into several ideas. First, was the realization that the company had to be successful, more successful than it already was, for any new benefits to be affordable. This led to discussions about how they could help this happen. But just having the company successful didn't necessarily mean that a specific employee or team of employees would have more job security than before. Employees needed to be able to prove their contribution caused this success. And, just as importantly, each employee needed to keep his or her skills up-to-date to continue to be relevant.

We had similar discussions around each of the common suggestions from the Level I meetings. The result was that some ideas were dropped, a couple new ideas were added and the remainder were expanded or modified.

These were great meetings. Several key results came out of them. Employees realized that the company was serious about making meaningful changes. The time they were investing in these meetings was worthwhile and might actually produce meaningful results for them and their coworkers. They also realized that new benefits would not be given. They had to be earned. And thirdly, they

saw the opportunity of being involved in what might be very fundamental changes in the way the company operates.

But the real payback started with the next series of meetings. These were Level III meetings where we built on this momentum and identified specific changes we wanted to make. I don't believe any of the employees knew it at the beginning but we were on a journey that would significantly change the company.

For example, the most common request we received from each of our groups was for more money. The initial argument was that more money would make happier employees and happier employees would do a better job. The company and the employees would win . . . so let's all get a raise. The flaw, of course, was in identifying where this new money would come from. Investigating this thought led us down some very interesting paths.

First, we decided we needed to know more about the finances of the company so we invited the CFO to join us and explain how the company spent and allocated the dollars it received. We were specifically interested in how she determined how much money to allocate to expenses and salaries. This led us to several conclusions. Different units in the company had different opportunities to have an impact on the company's bottom line. Every unit could have an impact by lowering their expenses and, for many, this was all they could do. A few, like systems and corporate services, could also lower the expenses in other departments. Those that were directly involved with policyholders and agents could also improve growth or retention. A few could also have an impact on the loss ratio. In other words, each unit or department provided value in a specific way.

If we could quantify this effectively, we could focus everyone on creating meaningful, new value for the company. We also realized we needed a way to benchmark any improvements so the people or team would get credit for what they had accomplished. We also discussed how just focusing on financial results may not create the best long term results. While each unit needed solid financial goals and benchmarks, they also needed to balance them with other measures that would ensure customer satisfaction, professionalism and other key goals were not ignored.

If we were successful and a unit could prove they added significant value to the company, how should this be shared? Raising salaries created a permanent expense. But what if this benefit wasn't permanent? We then discussed the idea of periodic bonuses to ensure that there would be a direct link between the benefit to the company and the money paid to the employees.

A lot more happened in these and subsequent meetings than I can share in this short space. The really important point is that we started by asking employees what they wanted to see changed in their company and then used their replies to start the process of building a culture of accountability and empowerment.

In the northern states there is a phenomenon known to every fisherman. It's when the lakes "turn over" and it happens each fall. This is when the warm water on the surface of a lake goes to the bottom and the cold water at the bottom shifts to the top bringing with it all of the nutrients. This increases the fish population and overall productivity of the lake. Empowering employees and creating an ownership culture creates the same result in an insurance company. It is one of those fundamental changes that can produce an exponential result.

We can help you accomplish this result. Our firm was created fifteen years ago to help insurance companies make fundamental changes in the way they operate. Please call me or send an Email and I'll schedule a conversation with our president. Also please visit our web sight at McDonaldConsultingGroup.com. You'll find further explanations of these ideas in our Concepts and Ideas section.