

Five Steps to Optimal Productivity

This is our fifth letter on what companies can do to become more competitive in today's economic environment. Each has looked at expense control and management from a different perspective. We hope you have found one or more of them worthwhile and have become motivated to improve your company's expense and competitive situation.

Companies or profit centers that want to get control over their expenses so they can become the marketing organization that is the envy of their competition need to go through five steps or phases. All are important. The first three set the stage and get everyone ready for the work needed in four and five. The fourth is where your efforts start to pay off. Most companies stop at four. This is too bad because five is where the payoff really is. Here they are . . .

1. Denial: This is where you hear -- "Oh; No! Here we go again." "My expenses are already as low as I can get them without creating customer service problems." "I need to focus on quality and other issues, not expense reductions."

Do not allow your employees to spend a lot of time here. Move to the next phase quickly. To do this you will need to do two things. First, you need to present a logical argument for why the company must lower costs. Present your facts clearly and in a way that emphasizes the need to move quickly. While this logical argument is necessary, remember that the reaction you are getting from employees is mostly emotional, not rational. Handling the emotional situation takes a strong leader, focused on results, acting decisively.

2. Negotiation: After you get everyone's attention, your managers and other leaders will want to understand the scope of the change you want. They need to know the effect this will have on their department or team because they have other priorities they are also trying to manage. Expect them to attempt to negotiate goals that they can easily meet. Keep in mind they probably still have not fully accepted the need to change.

This step is critical. You need to set clear and significant goals for the company and then translate these goals into departmental and then team goals that support the company's goals and ensure you will attain them. Several things are important during this phase. First, the amount of change you want needs to be large enough to get everyone's attention. Keep in mind that in most companies you can usually get at least a 10% reduction in expenses just by asking for it. The number you choose needs to be higher than this. Also, keep everyone focused on the need to change. One of the best approaches is to connect your goals to the price for your products, the need to be competitive and the company's survival and success. This usually translates into a percentage reduction in expenses and specific numbers as goals.

It is very important that each department participate in this project. Do not give any area a "free pass," especially the staff areas that spend most of their time reporting on and policing others. Also, be careful to manage your good negotiators. You want them to use their creativity to reduce expenses instead of trying to get advantageous goals. Lastly, you want expense management to be an ongoing activity. Once everyone has attained their specific goal for the project, you will want them to continue to improve, not rest on their laurels. This means establishing long-term expense goals at the department and team levels that naturally adjust to sales, growth and other market conditions. Establishing "expense allowables" is an excellent way of accomplishing this.

3. Acceptance: This occurs when everyone has a good understanding of what they need to accomplish and when they start identifying what they can change. Everyone always starts with the

easy and obvious changes – things like reducing travel, putting new programs and activities on hold, delaying hiring new employees, etc. They also bring up ideas they had in the past that were never implemented or developed fully and start to work on them again. They “look for low hanging fruit” and start with the changes that will hurt the least.

With a few exceptions, these efforts usually produce few long-term results. The meaningful work begins when managers realize they need help from change experts outside their areas, either from within or outside the company, and that they need to cooperate with other departments to make significant improvements. This understanding naturally leads to the next phase.

4. Streamlining: In this phase, the emphasis is on process redesign. Everyone looks at the way they do their work, redesigning their work processes to gain efficiencies and better results. This includes identifying and eliminating unnecessary work and then finding ways to do the necessary work in the most efficient manner. To be most effective, these efforts should go beyond traditional work process redesign to include redesigning jobs, shifting work between departments and other changes that will produce better customer satisfaction, faster processing and lower costs. These redesign efforts also include improvements and fixes to your computer operating systems.

In looking at computer systems, however, be careful not to fall into the trap of killing your project by committing to major, long term systems purchases as the way to buy efficiency or by identifying a multitude of changes to current systems. For many, these are the quick and easy answers because it shifts the focus to the IT Dept. and away from having to find solutions within one's own area. Stay focused on accomplishing your project's goals as quickly as possible so you can attain the competitive position you need.

5. Fundamental Change: This step creates the biggest and most significant changes. It starts with an understanding of what you could accomplish and how the company would operate if everything were “ideal” -- as defined by your customers, marketplace and major stakeholders. This “outside in” approach to designing the company produces great insights into what is important and what changes need to be made.

In this phase, nothing is sacred. Everything is reviewed, analyzed and new ways of doing things are designed and refined. Systems, workflows and work processes are studied (similar to the streamlining in phase 4) but at a more fundamental level. Instead of just modifying jobs and organization structures when work processes suggest it, structure becomes an essential element in increasing operational effectiveness. If customers want specific people for their account, dedicated teams or units should be created to serve their needs. If agents want and need their own team of people to support their books of business, we create these relationships.

Compensation, incentives and reward and recognition programs, are studied to help everyone focus on what is key to the company's success and to build the cooperation and synergy needed between departments, functions and customers. The most effective companies are made up of teams of employees who own their results; see themselves as owners and are accountable for their team's fundamental business results. Sometimes even the culture of the company needs to be changed to create a more business-focused environment. Many companies are creating environments where employees refuse to be satisfied with average results and performance.

This phase looks at and is willing to change all of the fundamentals that drive the company's success – from your place in the market to how you supply the value that your customers and agents expect.

We started our consulting firm almost 15 years ago to help insurance companies make fundamental improvements in the way they operate. Please visit our web sight at McDonaldConsultingGroup.com, where you'll find further explanations of these ideas in our Concepts and Ideas section.