

How to Make the Most of the Improving Economy

It's becoming clear that the US economy is improving. How should you position your company to make the most of this transition? How can you position yourself to grow in the face of increasing competition, as other insurance companies take advantage of the new economic situation? How can you avoid the loss of efficiency that historically results in almost every company when the economy improves?

Since answering these questions is a major part of our practice as management consultants, we'd like to offer some suggestions. First, you need a clear understanding of where you currently are and where you want or need to be. If you haven't already done this analysis, it's not too late to do it now. Here are some things to consider.

Did you take advantage of the poor economy and hardening market in the past two or three years by lowering expenses and becoming more efficient? If so, how did it happen? Did you actually improve work processes, introduce more efficient computer systems or make concrete improvements that caused better efficiency? Did you introduce new management tools, like computer staffing models, that help ensure proper staffing levels? Did you build and/or reinforce a culture in your operating and staff areas of accountability focused on attaining core business results? Is everyone dedicated to keeping the competitive advantages they earned and looking forward to building on them to achieve even more success in 2004 and beyond?

Or are you concerned that when the economy improves you may lose your improvements and operational efficiencies? Unfortunately, this happens all too frequently. It is usually the result of two situations. The first, and most frequent, is when expense savings and operating improvements were not the result of making concrete improvements and changes but came from just aggressively managing staffing levels and holding down expense levels. If this is the situation you will usually have a pent up desire on everyone's part to get back to normal as soon as you can afford it.

The second situation is less obvious and may take a little more analysis. It occurs when the numbers (operating ratios) look good but this is more the result of increased premium levels than any improvement in efficiency or lowering of expenses. This is especially a danger for commercial carriers and other insurance companies in hard markets where premiums rose at a fast pace. Many companies saw lowering operating costs occur, not as a result of improved efficiencies but as a result of higher revenues. As the market softens, as it always does, these efficiencies will disappear as magically as they occurred. They never were real so they won't remain. And your great operating results will disappear just as fast.

The best way to obtain and keep efficiencies, lower costs and excellent results is through an aggressive growth strategy. Turning this goal into reality is a major challenge and should probably be one of your most important focuses for this and future years. This isn't just the job of the sales or marketing departments. A key concept to consider implementing, if you haven't already done so, is the idea of turning your whole company into a marketing organization. Depending on your market and product emphasis this is done in different ways but the basic concept is to have everyone's job, focus and success measures dedicated to increasing sales, retention and stakeholder value.

Now is the soonest you can prepare for the future. Any actions you take must be based on a clear understanding of where you are and where you need or want to be. We can help you do this if you need outside assistance. Our professionals are waiting and eager to assist you. Check our website (McDonaldConsultingGroup.com) for other topics of interest.