The Nolan Newsletter

People, Process, Technology

NOLAN

ROBERT E. NOLAN COMPANY
MANAGEMENT CONSULTANTS

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Nolan is an operations and technology consulting firm specializing in the insurance, health care, and banking industries. Since 1973, we have helped companies redesign processes and apply technology to improve service, quality, productivity, and costs. Our consultants are senior industry experts, each with over 15 years of specialized experience. We act as trusted advisors to our clients, ultimately expediting and magnifying improvement initiatives and we are committed to delivering measurable and sustainable results. Visit www.renolan.com to download articles, client success stories, and industry studies.

Through the Nolan Newsletter we share with our readers:
- Updates on industry, business, and technology trends
- Client case studies
- Information on speaking engagements, conferences, and web seminars

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30TH ANNIVERSARY OF NOLAN AND *THE NOLAN NEWSLETTER*

Welcome to the 30th anniversary edition of *The Nolan Newsletter*. April 1 is the official founding date of the Robert E. Nolan Company, and a copy of *The Nolan Newsletter* went out on that date to our very first client, Sentry Life Insurance Company in Stevens Point, Wisconsin. That began an unbroken commitment that continues to this day: to write and publish *The Nolan Newsletter* every quarter.

The theme of this edition of *The Nolan Newsletter* is measurement. This theme is particularly fitting on our 30th anniversary, given the fact that Nolan's very foundation is built on using rigorous quantitative- and measurement-based methodologies. In this edition, you will find articles written by our experienced staff that examine this important topic from many angles—from the history and evolution of measurement in the financial services industry to the various ways successful companies are using measurement today.

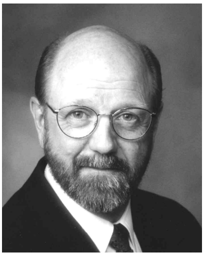
We ask for your feedback from time to time to help us ensure that *The Newsletter* content matches your interests. Now is a good time to do that again. Please take a few minutes to complete the enclosed reader survey, and return it to us.

While on the subject of surveys, Nolan has recently completed two additional industry-wide surveys. One is on implementing technologies in the insurance industry, and the other is on the future of the professional liability insurance segment. Previously completed surveys were for the life insurance and property & casualty insurance industry segments. In addition, our annual Efficiency Ratio Benchmarking Study for the banking industry will soon begin. Each survey has given or will give the participants useful information on issues and trends that will impact their organization for years to come.

As always, Nolan remains dedicated to assisting you in meeting your operational and strategic needs—now and in the future. ■

Ben DiSylvester
Chairman

IF YOU'RE NOT MEASURING, YOU'RE JUST PRACTICING



Hayden C. Jones
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What makes a sporting event something special? It's the struggle to determine the more proficient, effective and dominant team. We make such a determination with measurements.

Imagine a football game with no statistics, no method of keeping score, no goals to achieve. We'd end up with two teams running or passing a football up and down an unmarked field with no purpose. We could never determine improvement, goal attainment or who won. How many of you would stay interested in such a game? I doubt many would, if any. We set goals, keep records and measure improvement in our games, but how many use those same techniques in their businesses?

On any sports team, the ultimate goal is to win. To do this, measures are kept throughout the game and each player knows how they can contribute and what they must achieve to support the team's goals. Many players have their compensation determined by their specific contributions—completed passes, caught passes, yards gained, interceptions, sacks and so on. Each player knows the importance of keeping measurements and which are specific to their role on the team. Many fans keep track of the statistics of their favorite teams and players.

Unlike sports, in many businesses, employees are confused about the goals of the company and often have no idea what they must do to contribute to success. Many have not been given specific goals, nor have measures been put in place to reflect the employee's progress. As a result the employees go on, day after day, doing what they believe to be a good job—when, in fact, it may not support the company's goals. Even if their specific contributions are defined for them, without someone measuring their results there is no way to determine their effectiveness. Imagine a defensive back being told to break up passing plays, make interceptions, sack the quarterback and stop the run as their goals for each game, but no one keeps track of what they do throughout the season. The team may win every game and have an outstanding season, but the managers, coaches and players cannot determine what made them effective, where they need to improve and who made them successful.

Dr. W.E. Deming, the guru of quality, proclaimed that the key to quality (and success) is to measure everything. Businesses today always measure the bottom line, but so often miss the needed measurement and reporting at the lower levels in their organization. Leaders may not understand the importance of such measurement or they may assume their employees and managers know what's going on without the need to measure and report. Such companies many survive, but can never be truly successful.

"Businesses today always measure the bottom line, but so often miss the needed measurement and reporting at the lower levels in their organization."

When I started my career in business, I was told by someone that any effort that is not measured is called practice. Do you want your employees to just practice? If not, here are a few thoughts that you may use to change your business environment.

Just as in sports:

- Set expectations for each position and measure and report the results.
- Set expectations for each unit, division and department, and measure and report results.
- Make sure that each expectation is linked to the unit, division, department and company's goals.
- Compensate employees based on performance against their goals.
- Celebrate success and don't just punish.

Remember, if you're not keeping score (measuring), you're just practicing.■

The Hidden Benefits of Automated Workflow

Ed Fenwick
Director, Insurance Practice

An overlooked benefit of an automated workflow system is that it enables the efficient, ongoing and comprehensive capture of data about the work being processed. When converted into management information via a reporting capability, this data can provide the type of metrics and measurement that enables significant ongoing operational improvement and impressive ROI.

Even the simplest workflow application can easily capture this data on an ongoing basis. Most organizations are challenged to collect data even on a one-time or sampling basis. The raw data collection can cover receipts as well as pended and processed work. But beyond that, it can capture time-service information—when did we get it, when did we do something with it, when did we complete it, who worked on it. A workflow application can also capture touches—how many people were involved in processing a piece of work. With quality checking integrated into the flow of work, data on accurate processing can be captured. With supporting tables containing standard times to complete various transactions, a set of productivity metrics becomes available.

Consider the following when implementing an automated workflow solution or when improving an existing application:

- Plan your data capture requirements as carefully as you plan how work will flow through the organization.
- Ensure that the overall design includes the reporting and analysis tools needed to convert the data into meaningful management information.
- Build the organizational capability to use the management information to continuously improve people, process and technology.

The effective use of the measures and metrics from an automated workflow system can, over time, be a large benefit of these technologies. See what it can do for your ROI. ■

IT EXECUTIVES GATHER TO DISCUSS INSURANCE TECHNOLOGY

Denise Feeley
Marketing Director

The Robert E. Nolan Company was proud to be a sponsor of this year's LOMA Systems Forum. The financial services technology conference began in 1965 and, since its inception, has hosted more than 25,000 insurance company executives. This year's event was held March 2 – 5 at the Marriott Riverwalk/Rivercenter in San Antonio, Texas. The conference featured a three-day spread of innovative and informative speakers and a state-of-the-art exhibit hall with more than 100 technology companies represented.

The forum's focus was on important changes in the insurance industry in regard to management, strategy, technology, security, leadership and distribution. Many top insurance executives shared their real-life experiences with technology-related initiatives such as adopting e-signatures, developing IT security architectures, achieving legislative

Director of Agency Underwriting Jeanne Bailey (left) and Director of Systems Patrick Shannahan, both with Nationwide Financial Services, spoke at the 2003 LOMA Systems Forum.

compliance and managing large systems implementations. Panel discussions prompted lively communication between CEOs, CIOs and other technology executives about the importance of creating leaders at all levels, directing vision and passion for greatness, tying infrastructure into ROI, accessing capital and integrating legacy systems.

Nolan was pleased to sponsor a speaker, Nationwide Financial Services. Nationwide discussed their successful new business technology implementation, Project FOCUS. This project was a role model for on-time and on-budget implementations. Nationwide attributed their project's success to clear and concise goals, hard work, a dedicated sponsor group, aligned operations and systems, and frequent communication through detailed staff meetings and cross-company participation. About halfway through the project, Nationwide involved Nolan to develop process cost models, quantify benefits and to help define business requirements. We were pleased to have been a part of the successful Nationwide story.

Tuesday morning's keynote speaker was Captain D. Michael Abrashoff, the former commander of Naval ship U.S.S. *Benfold*. In May 2002, he authored the best-selling book *It's Your Ship*. Captain Abrashoff discussed management techniques and lessons learned from commanding the award-winning Navy ship. He told a compelling story of how he championed a fragmented, discouraged workforce into a united, confident team of sailors. The leadership journey required creating a culture and climate of ownership, pride and grassroots determination.

Throughout the conference, futurists touched on the top trends and challenges facing insurance companies in regard to technological advances. It is predicted that the increasing prevalence of broadband, the changing social landscape (e.g., economic uncertainty, geopolitical risk), workforce changes and real-time lifestyles will dramatically shape decisions made throughout the insurance industry.

We look forward to supporting LOMA throughout 2003 and also in May 2004, when the new ACORD LOMA Insurance Systems Forum launches in Las Vegas, Nevada.■

THE LOST SKILL THAT NEEDS TO BE REVIVED

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Samuel Clemens once said, "I love work. I can watch people do it all day." His comment indicated his humorous outlook on life, but it can also apply to a growing problem in today's business environment. That problem is that measuring work is a lost art.

The skill to do it, the people with the expertise to accomplish it, and, most important, the leadership to recognize its importance are disappearing from today's organizations. Effective measurement is the foundation for sound decision making. Too many of today's business decisions are made on anecdotal information, executive hunches and flawed data. We have slipped back into a mode of looking at historical data and using it as our benchmark for future performance. Profitability models, return on investment analyses and technology impact assessments all require accurate measurement. Yet time and time again, some senior executive or front line manager makes a significant staffing or technology decision that's based on flawed production measures.

I'm amazed at how companies use one business case to acquire funding for technology, suffer a case of selective amnesia and use another unrelated analysis approach to evaluate the impact of the technology. Why is this continuing to happen? We have performance management, balanced scorecards and dashboard management. Yet, most of these management tools are lacking accuracy in the area that drives *profitability*—measuring key work activities.

Organizations today have minimized the value of such skills or maybe just don't realize the benefit of having them. As a result, their ability to develop accurate metrics to manage their operations has been diminished. Oh, everyone says they have a staffing model and standards, but when you begin to peel the onion you find these estimates are inaccurate, inconsistent and just plain wrong.

In the mid-to-late 1980s, internal business analysts were trained and equipped with skills to evaluate work, develop standards, and help front-line managers create staffing models, performance models for individuals and sound "what-if" scenarios. These tools were the basis for scheduling work, projecting staffing needs, evaluating performance and building a budget. But in the go-go 1990s, when everyone was making money and business was growing, expenses were not at issue. "Grow the top line," and we'll sell our way to success. The trouble starts when things slow down, and the application counts drop and retention begins to suffer. All of a sudden expenses become an issue, and we don't have a good way to make decisions. We lost our ability to measure work effectively. It is a lost skill for many companies in the financial services world, one that needs to be revived.

Currently, we are working with three clients who have recognized the need to measure work effectively and are beginning to build back this skill. It should be a core competency required and valued by every operations executive and front line manager. The development and maintenance of sound measures will strengthen your organization. It is remarkable to me how the financial services industry has blindly followed the manufacturing industry's lead in the areas of work measurement, quality, reengineering and now Six Sigma. But the financial services industry can't seem to get the same kind of results. The excuse is that we are not like manufacturing, and it's on to the next "new world" business improvement fad.

The common denominator in each of the trendy management theories is sound measurement, and it is the most difficult component to develop and maintain. It is also not sexy and doesn't get the support in the boardroom. Sound measurement is blocking and tackling, and that's not fun. We can't rally around blocking and tackling—we need fanfare. Guess what: those who block and tackle well win the game.

I admit to being a reformed manufacturing engineer from a time early in my career. My bias is toward accurate data. Call me crazy, but I like to know if I need 200 people in my operations center or 300. Like Mr. Clemens, I just love to watch people work. It is educational, and it can be fun!

Let us help you assess your ability to measure work and rebuild that core competency in your company. Drop me an e-mail at dennis_sullivan@renolan.com. I'd love to hear your thoughts on measurement and profitability and how you tie those two things together in your organization. ■

Project Spotlight

Designing Operational Accountabilities for Government Compliance

A large Midwest healthcare services provider is one of the country's largest firms dedicated to serving the health and well-being of people age 50 and older.

Background and Objectives

In early 2001, the company began a series of block-of-business purchases, contract awards and internal organizational shifts. Significant Medicare and Medicaid business growth prompted them to take steps to better understand their operational and structural compliance status. An internal investigation confirmed what senior leadership had suspected: lack of clarity surrounding compliance accountabilities, challenges with effectively correcting non-compliant processes, and ineffective compliance-related communications among stakeholders.

Management engaged the Robert E. Nolan Company to conduct a compliance review with the following objectives in mind:

1. Create an objective assessment of the government program's compliance model.
2. Redesign the model to improve clarity of organizational and individual accountability for compliance planning, implementation and monitoring. Additional elements included:
   - Effective interaction with parent company stakeholders,
   - Consistency with the enterprise-wide business risk model,
   - Identification of actions to reduce compliance risk.

Assessing the Current State

The Nolan consultants, along with company leadership, developed and executed a three-month project plan. They identified a single project leader who was accountable for day-to-day project progress and deliverables. They also formed a steering committee, composed of operations leaders, processing center staff and communications professionals.

The team assigned key, mid-level managers to validate descriptions of the current state and help form the ideal future-state model. They also interviewed front-line processing employees representing each job role affecting the compliance function.

During the discovery phase of the project, the team assessed the current-state compliance model, quantified functional costs and identified improvements. The client was spending $6.28 million in annual compliance-related activities, representing 108 full time employees. The evaluation found inconsistent and inadequate understanding of processing requirements among the employees, redundant communications among stakeholders, and duplicative compliance oversight and auditing activities. They also found the need to address accountability for compliance strategy setting and execution.

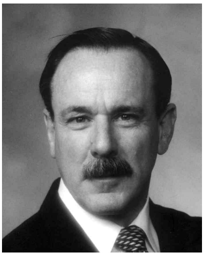
Recommendations for Success

The team successfully developed a future-state compliance model that resolved the shortcomings identified in the current state. The changes included:

- Direct communication and contact between the processing center and the health plans, which offered significant expense savings.
- Identification of seven elements of effective compliance.
- Allocation of 58 compliance-associated tasks to government programs owners, the processing center and health plans.
- Enhanced accountabilities for the chief compliance officer to reflect the new focus on compliance strategy setting and management.
- Development of communication schedules and content to ensure each of the stakeholders remains fully informed of corrective action plan status, emerging processing challenges and impending legislative changes.
- Identification and documentation of key compliance metrics, a reporting schedule and required compliance auditor skill sets.

The success of this project was a direct result of superior senior leadership planning, clear communication of goals, identification of necessary internal and external resources to execute the project plan, and consistent follow-through.■

HYPHENATED-AMERICANS, SWISS TRAINS AND SERVICE METRICS



Merit Smith
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I don't like the idea of hyphenated-Americans. But the fact is my wife is a second generation Swiss-American. (I didn't even know there were such people until I met her family.) And I never understood how deep and subtle their Swissness was until we traveled with her parents to Switzerland to visit their home villages.

One of the important things I learned about the Swiss is that they have a different concept of time than North Americans. I guess we should expect some time weirdness from the people that build clocks and watches. But in Switzerland, "time" is different than it is in America.

I first realized this as we took the morning train from Zurich to Interlaken. The train was scheduled to leave at 8:03. I was standing in the train, arranging baggage, and looked out the window at the clock on the train platform. Just as the clock hit 8:03, the train began to move. I wondered, "Wow. How did they do that?"

Over several weeks, I realized that there wasn't any special trick with the clock and the train. It was just the Swiss concept of time. That concept seems to work something like this:

> Time is important. We accurately measure time. Accurate measurement of time lets us plan when things will happen. Everyone knows what time it is. Things happen when they are scheduled. This is not special. This is as it should be. This is Swiss time.

Being an American traveler, I have a different concept of time and transportation. When I think of my typical travel experience with American, United or Delta, I realize that the airline and I may be in the same time zone, but we seem to be using different concepts of time. They measure it in funny ways. They conceal it. Their idea of time is just about the opposite of what my idea of time is. They focus on on-time departure, while

I hope for on-time arrival.

To look good on this service measure, they play tricks. On-time departure can often mean "push the plane back from the gate on time, sit in the plane at the gate for a while, then actually take off and get to the destination, but late." The airline thinks they did it right, and their numbers reflect that they did. I know they didn't, and my experience reflects that I'm right.

We frequently work with health care organizations that have substantial service, cost and quality problems. In nearly every one of these engagements, confusion about time is a major part of the problem. Frequently, the first step in moving forward is to help our client understand that they and their clients may have different concepts of time. And that if they align themselves to the client's concept of time they have made a huge step towards improving service.

> *"The problem of different time experiences with service transactions or interactions isn't limited to call centers. Look at the metrics and measures your service organization uses to monitor and manage service. Do they reflect the customer's experience of time?"*

This sounds simple, almost trivial. "Of course we consider time from the customer's standpoint." But the reality is that most of our measurements and statistics about time are from a producer's point of view, not the consumer's.

Think about time measurement in a call center. Because call centers manage "production" by tracking speed to answer, average talk time and after-call work, it is hard for them to understand that the caller has a different experience with the call. The caller experiences "wait" and "talk." The customer service representative thinks: "It was a two and a half minute call. Good call, good service." The caller knows the call took almost five minutes. "That wasn't good service. In fact, why did I have to call them in the first place?"

It's the same event, but with two different time experiences. The call center manager can prove that they are providing good service, but their customers know that they are not receiving good service.

The problem of different time experiences with service transactions or interactions isn't limited to call centers. Look at the metrics and measures your service organization uses to monitor and manage service. Do they reflect the customer's experience of time?

"Ninety-five percent of calls answered in 30 seconds." Why am I always in the other five percent? "Ninety-eight percent of clean claims paid in 30 days." It was clean when I sent it in. Does that 30 days start when I sent it and end when I get it back? Is it calendar days or work days?

Here is the hard fact of service management. I can't deliver high quality service if I measure *my experience* rather than *my customer's experience*. I just have to understand that it is the customer's measurement of time that counts. And I don't need a Swiss watch to do that.■

CUSTOMER FOCUSED MEASURES AND THE SUPER BOWL

Robert Grasing
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There is an old sports axiom: Offense sells tickets and defense wins championships. We were reminded of this truth again in the most recent Super Bowl when the highly touted offense of the Oakland Raiders was shut down by the superior defense of the Tampa Bay Buccaneers to a final score of 48–21.

Are you wondering how this translates to banking? Over the past four or five years a tremendous emphasis has been placed on establishing a sales culture in banks. Sales programs have been developed, and bank sales retail staffs have been charged with ever increasing sales goals. In many instances incentives are paid to increase sales, loan and deposit products as well as investment and insurance products. The results are as varied as the incentive systems that have been created.

There is an old business axiom: You get what you measure and reward. When you examine the incentive programs of banks that have recently transformed to a sales culture, you will find that the sales are measured by products sold, and at many institutions there is no factor for net portfolio growth. In fact, there is often no measure or factor for customer retention at all. In our football analogy, sales is the offense and customer retention is the *defense that wins championships*. What can result from an incentive program without customer retention factored in is a ramp up of sold products (what is measured and rewarded)—but not an equal gain in loan and deposit portfolio balances. The reason seems clear that attention to service issues and customer retention may not be viewed by the staff as highly valued since it is not measured and rewarded.

Winning banks have created a balance by measuring and rewarding customer retention and have rated customer service as a key factor in their incentive programs. Growth comes a lot easier if you are keeping the customers you have, and selling new products to them while selling to new customers.■

NOLAN SPEAKING ENGAGEMENTS

March 31– April 2, 2003: BAI SmartTactics for Profitable Branch Delivery
Senior Vice President Gary Coltin of Eastern Bank and Nolan President Robert Grasing discussed how Eastern Bank's Retail Division improved their profitability and performance while maintaining the high-touch advantage that has made them an industry leader in customer satisfaction.

April 1, 2003: BAI and AMIfs Profitability and Performance Measurement Forum
Nolan President Robert Grasing addressed the forum on the topic of "Performance Factors by Line of Business." Mr. Grasing discussed results from the 2002 Efficiency Ratio Benchmarking Study as well as case studies of successful top-tier banks.

May 21, 2003: OAHP Annual Convention
Nolan Vice President and Director of the Health Care Practice Merit Smith will speak to audiences about managing HIPAA projects as at-risk projects. In a separate session, Senior Consultant Marilyn Cassell will discuss how to effectively implement a Disease Management program while avoiding the pitfalls.

June 4, 2003: IASA Annual Convention & Business Show
Please join us in Denver, where Nolan CEO Dennis Sullivan and a representative from a top-ten insurer will speak on the topic of "Real-time, On-time Implementation". Attendees will learn how to maximize results and minimize costs.

June 9–11, 2003: BAI Commercial Loan Operations Conference
Nolan President Robert Grasing and Executive Vice President and CIO Jim Outlaw of Trustmark National Bank will discuss staff modeling in loan operations.

STRATIFY YOUR MEASURES

Rob Keene
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Banks measure everything. They tend to know how many, how much, how often, who did it, when to expect it, where it will happen, what variety, how it compares, and so on. This is not to say, however, that banks measure things the right way. By using stratification, you can develop a powerful approach for using your measures to solve problems.

Stratification in this context means forming, arranging, classifying, separating or grading levels or layers of data (i.e. measures). You should use stratification so that your measures become information (i.e. knowledge). Here are two examples of how stratification can help.

Take your commercial loan portfolio and arrange each loan into a "strat" based on original dollar amount funded for fully-funded term notes and original commitment amount for lines of credit. Determine the low and high dollar limits of each strat based on frequency—the number of loans made within reasonable dollar ranges. Now study the approval process dictated by your credit policy for each strat. You may have to further separate loans into sub-strats to remove variation and simplify the task.

When you are comfortable with the arrangement, test each strat to see if the risk associated with the respective loans and the overall impact on the portfolio correlates with the complexity of the approval process. With many of our clients we find that the approval process for relatively small loans occurring frequently is just as complex as for less frequent and larger loans, creating an opportunity for improvement.

Teller transactions provide another opportunity to stratify. Banks often know how many of each variety of teller transaction occurs during a given period. In fact, many banks develop benchmarks for teller performance based on the number of transactions that should be processed within a unit of time. If you want to improve performance by increasing the benchmark, how would you approach this problem? A good starting place is to stratify transactions based on type and frequency. Then focus your improvement efforts on those high frequency transactions that may be performed more rapidly and accurately by redesigning the process.

There are numerous examples of how using stratification reveals where to focus your resources to improve your operation. By stratifying, banks can use their measures to reduce complexity, target the real source of a problem and make sure you are receiving knowledge from your data.■

"I see myself going into some form of public service, like banking."

THE HISTORY OF MEASUREMENT

Ben DiSylvester
Chairman

The need for measurement has existed from the beginning of time—even before the concept of time was understood. Earth completes one revolution every twenty-four hours. Days, weeks, months and years are all standard measures throughout the civilized world. Centuries ago, markings appeared on maps of the known world that we now call longitude and latitude. These are essential measurements still in use today that enable us to know where we are relative to a fixed reference point on the globe. Dava Sobel tells a fascinating story in her book titled *Longitude*. She reveals that until the element of time was introduced and then accurately measured at sea, the world's best navigators often became lost as soon as they could not see land.

In business, the concept of measurement also has been with us from the beginning. Whether we are measuring profitability or delivery times, there is a need to measure. During the Industrial Revolution, the need for measuring effort relative to time became a necessity because labor was a scarce resource. Frederic Taylor taught that managing productivity was a matter of giving someone a specific task to do within a specific time. The Gilbreths added the dimension of set motions and, when the two concepts were combined, setting time standards for work tasks using “predetermined” time became possible.

Measurement systems through the years evolved from detailed measurement of motions to measurement of tasks and then to measurement of processes. From the people view, measurement has evolved, in most organizations, from measuring an individual’s activities to measuring the performance of groups, departments, functions—and now whole companies—using concepts such as key results and balanced scorecards.

In whatever manner measurements are used, the observation of companies over the years indicated a correlation between well-managed companies and the use of objective measures. ■

Tune Up Your Dashboard

Rod Travers
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In order to know how well your company is performing, you must have a means of gathering relevant data and turning it into information about performance. Over the years there have been several "irrational exuberance" cycles surrounding technologies that support this need. Not one of the reporting technologies I've seen has ever quite delivered completely on its promise, but things have evolved and today's systems are actually quite good.

The first really big wave in this arena came with the advent of Enterprise Information Systems, or "EIS" for short. You remember the glossy ads for those systems. The CEO of a Fortune 500 company would sit at his or her desk and use a touch screen to see how profitable the company was that day, or view how many pieces of mail came through the mailroom. A few pushes on the touch screen would allow drilling down to any level of detail. Of course, those systems were nearly all a big disappointment due mostly to the impossibility of tying disparate systems together in the days when systems didn't talk to each other.

But there was another reason those systems stumbled—and that reason remains today. I'll get to that in a moment. (By the way, we have EIS to thank as *the* "must-have" technology that started the compulsory use of three letters to describe seriously important systems. Now of course we have ERP, CRM, BPM, SCM and an endless list of others. EIS was their mother.)

After EIS stumbled there was a lull for a while, but then along came technology for managing balanced scorecards. The fundamentals of balanced scorecards are great but the reporting technology was for the most part onerous and difficult to maintain. Plus it didn't have that catchy three-letter name. Now we have dashboards, which are really a throwback to EIS, but no one's willing to say it. Dashboards are pretty good, and, in my mind, they have the most potential for success because they are intuitive and are often built using off-the-shelf tools that collect readily available data and display it in a format that makes sense.

Most recently, we have Enterprise Performance Management (EPM) and Business Activity Monitoring (BAM). These are bound to be successful based on their three letter abbreviations, if nothing else. And, in addition to all these purpose-built systems, we have robust reporting capabilities built into ERP, CRM and workflow systems which give us more information that we can actually ever use.

> *"...it's not as important how you report performance as it is what you measure, and what you do with the information once it's reported. This is where most reporting systems lose their effectiveness."*

Why, then, with all this wonderful technology is the promise of enterprise performance reporting largely unfulfilled? (If you have the perfect EPM system or dashboard then you are exempt from answering this question.) The answer is that lingering reason I mentioned before. It turns out, of course, that it's not as important how you report performance as it is *what you measure*, and *what you do with the information* once it's reported. This is where most reporting systems lose their effectiveness. What steps can you take to make your reporting drive action? Try these:

- Measure what's important to your customer. For example, if ASA is important to your call center customers, measure that. If first-call resolution is important, measure that. In reality, you will, of course, measure both but your management emphasis should be on the more important one. Thus manage your business processes, job design and staffing accordingly to meet your customers' expectations and priorities.
- Put more emphasis on measuring results and less emphasis on measuring activities. Both are needed, but the split must be weighted toward results.

- Define scenarios and establish accountability. When an important measure is trending unfavorably, there must be someone accountable for taking actions to correct it. Give that person a head start with scenario planning.
- Ask an expert. You can't be the expert on everything. Perhaps there is someone in another area of your company or in a friendly peer company who has been successful with performance reporting. Seek them out and learn their secret. Or consider using outside assistance. Keep in mind you are looking for help on *what to measure*, not how to report it.
- Now a caveat on how to report: Use terms that people can easily relate to. For example, "It's a ten-minute drive to the office," instead of "It's six miles." Individuals have varying perceptions of distance, but time is universal. A more relevant example might be, "Improving our quality ranking one percentage point raises our individual bonus compensation by x dollars."
- Pilot your ideas. It's amazing what you can prove and disprove with a well-designed spreadsheet before you spend big time and money on reporting technology.

I'd be interested in hearing your success stories about performance reporting systems. Please drop me a note at rod_travers@renolan.com.■

Project Spotlight

People and Process Integration Nets Business Results From the Siebel Marketing Suite®

The company, a national multi-line insurer, recently implemented Siebel™ call center technology and was achieving solid results in integrating service channels (voice, web and email) and improved customer relationship management. With higher payoffs in mind, the insurer conducted pilots and proof-of-concept tests to suggest expanding the Siebel™ functionality to sales and marketing.

Objective

The client wished to target their sales and marketing campaigns with the proposed expansion. They began an evaluation of the applicable technology. Early in the process, members of executive management expressed a high level of concern that putting new technology onto the existing approach to marketing campaigns would cause the process to fail.

The client engaged the Robert E. Nolan Company to help assess the current state of sales campaign management, develop an ideal, future-state model that would leverage and optimize the capabilities of Siebel™ marketing functionality, and develop a deployment plan for achieving a successful future state.

Assessment of the Current Sales and Marketing Campaign Management

The Nolan consultant performed an assessment of the current state, which confirmed concerns expressed by the company's executive management. The company's campaign management was informal, ad hoc and expensive, and it lacked hard metrics. Management did not handle campaigns consistently across the organization and they lacked a defined process.

Campaigns were always integral parts of product launches, but in recent years their use and scale had expanded to include the introduction of solutions-based marketing strategies, automated sales tools and web sites. With few exceptions, the campaigns stayed the same through the years: printed materials, phone calls and wholesaler visits. They were poorly integrated between communication channels and rarely took advantage of email, fax or the Internet. One company executive described the campaign process as "we get a list of producers, create some glossy print material, stick it in the mail, call some, visit some and hope it works."

Developing a Model of the Future State

The Nolan consultant worked closely with the key sales and marketing stakeholders, and together they developed a "three-view" model of the future state: People, Process and Technology.

People: The people view defined key organizational elements, both strategic and tactical, including roles and responsibilities. A steering committee made up of senior management would provide strategic planning and oversight to the campaign efforts. A marketing team, comprised of senior marketing managers, would bring campaign expertise to each initiative. A virtual campaign team framework would enable campaign managers to bring together the skills and expertise needed to plan and execute a successful campaign.

Process: The process view defined a campaign life-cycle methodology as well as standard formats for key elements of a campaign. The business case element addressed the financials: objectives, budgets and return on investment. The campaign plan element explained the content and structure of a campaign: producer segmentation specifications, messages, themes, campaign steps and architecture. The work plan element focused on campaign production and completion: tasks, assignments and due dates.

Technology: The technology view consisted of a project management tool to support the workplan and track resource utilization during all phases of the campaigns. The Siebel Marketing Suite® was selected to achieve the following high-level business requirements:

- Enable a precise campaign experience for producers and thus improve campaign effectiveness and efficiency.
- Enable analysis and learning about campaigns to continuously improve effectiveness and efficiency.
- Store campaign designs for rapid re-deployment or modification and reuse.

Moving Toward the Future State

The Nolan consultant and the project team developed an implementation plan that would rapidly move the organization toward the future state. The plan included full implementation of the people and process views. It also included implementation of the project management tool and basic functionality of the Siebel Marketing Suite®.

The Siebel Marketing Suite® enabled campaign managers to track the campaign activities and responses across all communication channels. It also allowed them to use email campaign elements. Future plans included implementing the full functionality of the Siebel Marketing Manager® to automate the planning, execution and analysis of campaigns.

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Results

The cost-benefit analysis indicates a discounted payback period of 10 months for achieving the defined future state. The initial payback is from anticipated savings in print materials, postage, fulfillment and elimination of email outsourcing.

The client will achieve additional benefits from effective campaign handling, channel integration and effective ongoing relationship management. Furthermore, the client will significantly improve their sales and marketing campaign capabilities by being able to:

- Capture information about each individual producer's experience, both historically and real-time.
- Define a broad set of preferences for individual prospects, contacts and producers.
- Segment campaign lists based on producer experience and preferences.

- Benchmark campaigns with real-time analysis against key performance indicators or success factors.
- Design and execute precise campaigns with enhanced capabilities to:
  - Easily handle campaign variations based on the segmentation specifications.
  - Reliably trigger a campaign event based on something a producer does (e.g., producer visits a web page).
  - Provide different offers or messages based on segmentation specifications, campaign stage or event.
  - Seamlessly engage multiple communication channels in delivering the campaign experience.
  - Provide the same campaign experience on a recurring basis.
  - Launch campaigns in waves to optimize resource utilization.

The company's executive management enthusiastically prepares for the project's next phase. The client will complete the implementation in less than three months. They now have in place a solid plan for integrating the people, process and technology elements of marketing campaigns. ■

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WHAT ARE ORGANIZATIONS LIKE YOURS DOING?

One of the most frequent questions we receive from our clients is "What are other companies like mine doing to improve and stay competitive?" In other words, what are other companies doing to reduce cost, improve quality and service, and get the most from technology. Below is a small sampling of Nolan's recent projects that give an idea of what other organizations in insurance, health care and banking are working on.

Using Process Cost Modeling to Quantify the Impact of New Technology

A national multi-line insurer wanted assurance that a new technology initiative would deliver the projected savings and reduction in cycle time. It also wanted to identify short-term processing improvements and to help prepare the organization for transition. For little more than two percent of the total project cost, Nolan consultants delivered a process cost modeling tool that accurately quantified technology savings as well as identified short-term improvements capacity that accelerated savings.

Redesign of New Business Process

A life and health insurer wanted to improve its efficiency in the New Business Unit as well as begin transferring process improvement skills to key staff members. This objective would be accomplished through the redesign and streamlining of functions and processes, and reorganization of work structures. The project is estimated to result in a net return for the first year that is five times greater than the cost of the project.

Redesigning the Credit Process

A large national bank sought to improve their credit process. Scope focused on loan origination, approval processes, credit policy, document preparation, exception processing, post-loan-closing operational support and technology. The project resulted in significant hard dollar savings, installation of state-of-the-art technology and implementation of standards in processing areas, providing better tools for managers to properly staff their areas.■