The Nolan Newsletter

People, Process, Technology

ROBERT E. NOLAN COMPANY
MANAGEMENT CONSULTANTS

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ROBERT E. NOLAN COMPANY
MANAGEMENT CONSULTANTS

92 Hopmeadow Street
Simsbury, Connecticut 06089
(860) 658-1941
(860) 651-3465 fax

17746 Preston Road
Dallas, Texas 75252
(972) 248-3727
(972) 733-1427 fax

Toll-free (877) 736-6526

www.renolan.com

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Table of Contents

IT Effectiveness is High on CEO Agenda 1

Achieving Consistent Contact Center Service 2

"Do You Have a Green Card?" and
Other Contact Center Challenges 4

Engage in Process Redesign Before
Implementing Technology 6

A Practice of Retooling the Policies and Processes 8

Targeting Bank Efficiency Ratio Improvement 10

Outsourcing/Offshoring:
Are We Missing an Opportunity? 13

Tips to Manage and Improve Systems-related Projects 15

Strategic Alignment: From Wish List to Success 17

Nolan Events 22

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IT EFFECTIVENESS IS HIGH ON CEO AGENDA

We enjoyed moderating a roundtable discussion with a group of CEOs at a recent meeting of the Property Casualty Insurers Association of America. The subject was "ROI and Technology: Achieving the Right Blend." The participating CEOs exhibited an intense interest in the subject.

One issue discussed was the challenge of IT under-delivering and being out of sync with the business side of the organization. The causes explored include faulty IT processes, including inadequate documentation of business requirements; lack of process redesign in preparing for the new system; lack of rigor in the cost/benefit analysis; and systems development methodologies that emphasize the wrong things.

While not talking specifically about IT, but rather a company as a whole, one speaker at the conference, Jack Byrne, addressed why 15 insurance companies are no longer industry leaders. Mr. Byrne attributed the demise of these companies to decision-making that diverted them away from fundamentals that enable organizations to succeed.

This applies to IT as well. It is easy to see how those who excel in IT can lose patience with the business side and make unilateral decisions on software selection, etc. These decisions shortchange the effort to truly understand the business requirements.

Eventually a chasm between the business side and IT develops. "They (IT) never get projects done on time." "They (the business side) don't know what they want." As this chasm grows, the organization experiences negative impacts on efficiency and expenses—and they are seldom if ever tied back to their root cause.

However, CEOs are beginning to get it. Improvements in IT processes, structures and participative decision-making will result in stronger and more effective partnerships between IT and the business side. This will happen, not by a chance occurrence based on personalities, but because of a solution based on a redesigned IT function and clear focus on business results.■

Ben DiSylvester
Chairman

ACHIEVING CONSISTENT CONTACT CENTER SERVICE

Bob Cecchini
Senior Consultant
bob_cecchini@renolan.com

It's a typical Monday morning in your contact center. Call volumes are high, and service levels aren't very good. But that's OK because Mondays are always tough, and you know that come Friday the call volumes will be much lower and your service levels will be excellent. And since you only report ASA (Average Speed of Answer) weekly, you know that by the end of the week you should be able to meet your ASA target.

Is this how you manage service? If it is, you're playing an expensive game called "Chasing the ASA."

ASA is a popular measure of service performance in a contact center. In some centers, it's the only measure. By the way, if you're using ASA to measure service, you should switch to measuring Service Level (x percent of calls answered in y seconds), but that's a topic for another article.

So why is "Chasing the ASA" such an expensive game? Well, let's say your target ASA is 30 seconds. On Monday mornings, ASA may be a minute or more, and maybe you end up Monday with the ASA at 45 seconds. You do a little better Tuesday and Wednesday, and after three days you've got the weekly ASA down to 40 seconds. You now have Thursday and Friday to "bring in the week." So Thursday and Friday the ASA averages 10 seconds or less, and the week comes in at 28 seconds. Management is happy, and all is well. Right? Well, not so fast. Let's take a closer look at what really happened.

In the early part of the week, there were calls in queue most of the time. For your call center reps, that meant taking call after call with no break in between. That may sound like high productivity, but when agents spend too much time in that mode, it leads to agent burnout and high turnover. High turnover is one of the most costly items for contact centers.

What about the rest of the week? There were rarely calls in queue and agents sat idle for extended time periods, waiting for the next call. Their productivity was very low—maybe even to

the point of boredom. You should have pulled several agents off the phone to be more productive doing other work, but you couldn't because you were chasing the ASA.

What about your customers? Early in the week, they experienced delays as they waited in queue. Talk time may have even expanded as they complained to reps about the long wait times and listened to the apologies. Later in the week, your service was outstanding, but that didn't help those customers who called earlier in the week.

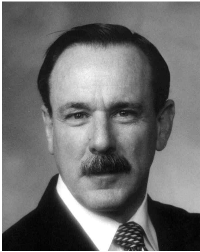
Contact centers that chase the ASA tend to alternate between periods of poor service delivered by overstressed agents and periods of great service delivered by unproductive agents. This is a very expensive way to run a contact center.

So what's the solution? First, you should measure service consistency. This is the percent of 15-minute or 30-minute intervals in which you meet your service targets. Your objective should be to meet your service goals *every interval of every day*. A service consistency target of 85 to 90 percent would be a reasonable goal.

Of course, measuring consistency is just the beginning. Actually delivering consistent service is far more complicated. You will need to develop a daily call forecast in 30-minute increments; develop a detailed agent work schedule that matches that forecast; monitor actual performance in real time; and have a plan for those inevitable intervals when call volumes exceed your forecast.

"Chasing the ASA" could become a very productive game if you start playing it one interval at a time. If you have questions about your contact center, e-mail me at bob_cecchini@renolan.com. ■

"Do You Have a Green Card?" and Other Contact Center Challenges



Merit Smith
Vice President, Health Care Practice Director
merit_smith@renolan.com

In the early 1990s I became the Operations VP for a HMO joint venture that would evolve into the largest commercial HMO in the country. We delivered back room service (claims, member, provider, eligibility, revenue and health services) for 19 regional HMOs. One of them, a San Diego HMO, was rapidly growing in terms of membership—and service problems.

As the new VP, I resorted to a time-honored management technique: wander around with a cup of coffee and ask dumb questions. As I talked to the San Diego HMO staff, I noticed that the tension and frustration level was much higher than in the other units. And one of the odd things I heard was that San Diego members are rude. For the life of me I couldn't think of any reason why people in San Diego would be any ruder than, say, people in Cincinnati or Denver. But it seemed like rudeness was one of the puzzle pieces.

After drinking more coffee than was healthy, I learned what I could from talking to people. So I went to stage two in my discovery process. Stage two involved wading through mounds of data. But before the data arrived I found a tape of member services calls from the unit. Here is what I heard in the first call:

Caller: I have a problem with my health insurance with your company.

CSR: Oh, I'm sorry. Let me help you. Are you in the HMO or the PPO?

Caller: I don't know.

CSR: Do you have a green card?

Click, followed by dead air.

We had cleverly color coded members' ID cards: blue for HMO and green for PPO. A "green card" meant a PPO member in our service center. But a "green card" meant something entirely different in San Diego.

In a way, it's a funny little story. But it wasn't funny to the members we were unintentionally insulting. Nor to the staff who had been carefully trained (and relentlessly audited) to ask an "obviously" dumb question. But the story also tells a lot about why running a contact center is such a challenge.

Running a contact center is a complex business that requires integrated and balanced skills. Both management and the staff must have core competencies in call processing, managing service encounters and transaction processing. Not enough of one, or too much of another, will result in problems. In the green card story, we were so focused on our transaction processing that we couldn't hear what was happening in the service encounter.

And in today's world, finding this problem is even harder. Not only is the technology for call and transaction processing even more complex, but the service encounter may be even more transcultural than in my simple story. The caller could be in San Diego and the CSR in Hyderabad. Now find the problem!

Recently I was swapping contact center stories with a friend who runs contact centers for a hospital chain. When he heard this story he pounded on the table and said:

> "That's exactly the problem! Every day I get someone wanting to sell me a 'solution' to one part of my problem. The telecommunications vendor has a 'telephony solution.' The system vendor has a 'CTI solution' that will triple CSR productivity. The staffing company has a 'work force solution.' And some other fellow wants to outsource it to the other side of the world. Whatever happened to thinking like an operations manager rather than a 'solution vendor'?"

I'll make a bet with you about your contact center. I bet if you walked around with a cup of coffee and talked with your staff you might just hear your own green card story. I'd love to hear about it. merit_smith@renolan.com. ■

ENGAGE IN PROCESS REDESIGN BEFORE IMPLEMENTING TECHNOLOGY

C. Kim Wilkes
Senior Vice President
kim_wilkes@renolan.com

Over the past year I have witnessed a new realization that people and process are still the keys to achieving improvement over "out of the box, we'll have to adapt" technology. Simplified processes can deliver significant productivity gains that are many times lost when the "cow path is paved." Transitioning to new technology is also easier when business rules and requirements are more thoroughly understood earlier in the development process by the business side. A resulting Request for Proposal (RFP) will be aimed more closely at the correct solution.

By simplifying business processes before applying technology such as workflow, BPM solutions, etc., a company can more fully dictate *their* requirements in an RFP rather than having to adapt their processes once a new system is being installed. Often, there is no one right answer when it comes to technology solutions. Instead, there are a variety of potential solutions that differ in terms of functionality, architecture and overall suitability.

Due to this lack of absolutes in the technology world, companies will find that if they send out a vague RFP to 10 different vendors, they are likely to get 10 solutions that differ considerably from each other. What's likely lost in the range of proposals is the company's vision and its uniqueness if they do not thoroughly understand what they are seeking. A fresh reeducation of the processes through thorough review and redesign assures that a company will more likely understand what automation will best suit them.

One of the most important aspects of generating a successful RFP is to effectively communicate the organization's functional requirements. This will include basic information as to what that functionality is, why it is needed, and any special requirements the organization is looking for in that functionality and features. It's also important to prioritize these requirements so

vendors can describe in detail the specifications of their solution. It is also essential to know if the requested functionality is pre-existing or if the vendor needs to create it from scratch.

Companies that have engaged in process redesign *before* seeking new technology find that the business side is more aware of what is needed and can work more closely with the IT side to identify and implement the right solution. Achieving people and process improvements before seeking and installing new technology can vastly change the “garbage in, garbage out” adage to “garbage out first, garbage doesn’t go in.” ▪

A Practice of Retooling the Policies and Processes

Robert Grasing
President
bob_grasing@renolan.com

One of the most misunderstood opportunities for change in banking is policy. Many bank executives falsely believe that their "conservative interpretation" of bank regulations as they relate to policies is a reason they have survived and thrived while so many other banks have failed. What is not fully understood or appreciated is the operational impact of policy decisions on customers, operational costs and often current income.

Policy is usually instituted as a reaction to a loss or a write-up by bank regulators. In a memorable case, one small 15-branch savings bank in New York experienced an unusually high level of fraud at the teller window resulting in losses of $250,000. The board asked management to review their policies and procedures to limit the losses.

Retail management instituted a policy of additional review by head tellers, teller supervisors and branch managers to lower transaction dollar limits tellers were able to transact without review system wide. The following year's losses of $80,000 on the surface appeared to benefit the bank by $170,000, but the impact on staffing and customer service was hidden from view.

The following year we examined the impacts of policies and procedures and found that the additional level of review resulted in the need for more teller supervisors and tellers to provide the same level of service expected by customers—adding $350,000 in cost to the operations. This effort to reduce losses resulted in a net increase of $180,000, not the earlier celebrated $170,000 decrease reported.

Levels of approval for commercial relationship managers is another policy consideration. Typically, in an effort to control credit quality, the lending decision is kept at a reasonable level before having to gain approval from the loan committee. This policy often gets in the way of timely decisioning and execution without realistically impacting the ultimate decision.

In reality, an informal review occurs at a regional level for

credits being presented to committee, and the senior regional executive will not let a "poorly structured or questionable credit" be presented. The review has been done by a senior officer on the majority of deals, but the committee is burdened with wading through a volume of credits that get in the way of more complex credits requiring their attention.

"Many bank executives falsely believe that their 'conservative interpretation' of bank regulations as they relate to policies is a reason they have survived and thrived while so many other banks have failed."

The loan process can easily be examined through a diagnostic process of stratifying the credits and examining the quality of deals presented after the fact to make the case for streamlining the process. This would lead to more time for relationship managers to prospect, quicker turnaround times for customers and more net income for the bank.

Retooling work design should not be limited to the actual transactional elements of the process—but on the governance issues of policy if a bank truly wants to maximize the impacts of change.■

TARGETING BANK EFFICIENCY RATIO IMPROVEMENT

Rob Keene
Director, Banking Practice
rob_keene@renolan.com

Every year Nolan studies trends in banking to help our clients focus their improvement initiatives in the areas that should provide the greatest profit improvement potential.

Through Nolan's Annual Efficiency Ratio Benchmarking Study, where data is gathered on virtually every line of business offered by banking organizations across the country with assets of $1 billion and more, we are able to provide study participants and clients with key information to help them improve their performance. While the information generated by our study is rich and detailed, this year we looked between the lines to see if the data would tell us more than what appears on the surface, rendering even more robust banking industry knowledge.

Using the results of our 2003 study (December 31, 2002 data), we recently constructed four data models designed to identify any of the almost 1,100 study statistics that might tend to be more predictive of benchmark (top quartile) efficiency ratio performance.

With these models we were able to construct rules—sub-sets of line of business level performance statistics—that when grouped together are more statistically significant in predicting benchmark efficiency ratios than when analyzing all the study data taken collectively. Said another way, we wanted to simplify the results by identifying those lines of business that have the greatest impact on the overall efficiency ratio, thereby sharpening the focus on certain functions to achieve better overall results.

The first model looks at line of business category performance. Categories are groups of functions such as Administration, Commercial Banking, Retail Banking, Consumer Lending, Trust, etc. Our model determines whether top quartile performance in any of these categories correlates to overall bank efficiency ratio.

The second model studies each function within category or line of business. One example is the category of Retail Banking which is composed of the lines of business of Retail Banking Administration, Branches and Deposit Operations. Another example is the category of Commercial Banking which is composed of Corporate Lending, Commercial Real Estate Lending, Middle Market Lending and Small Business Lending, along with Commercial Loan Operations and Cash Management. The functional or line of business level is the most granular level of detail reported in the study. The model relates top quartile performance in each line of business to overall bank efficiency ratio.

"Two of the most significant findings were those that designated three study categories—Commercial Banking, Retail Banking and Administration—as having greater impact on overall bank efficiency ratio than others like Consumer Lending, Direct Banking, Trust, Credit Card and Mortgage Lending."

The third and fourth models are similar to the first two but instead of relating top quartile performance by category and line of business detail to top quartile overall bank efficiency, they use the broader top 50 percent overall bank efficiency ratio as the desired outcome.

Two of the most significant findings were those that designated three study categories—Commercial Banking, Retail Banking and Administration—as having greater impact on overall bank efficiency ratio than others like Consumer Lending, Direct Banking, Trust, Credit Card and Mortgage Lending.

The $1 billion plus asset-sized study participants that have top quartile efficiency ratios in Commercial Banking and Retail Banking are two and one-half times more likely to have a top 50 percent overall bank efficiency ratio. The models also reveal a

strong indication that top quartile performance in the Commercial Banking and Administration categories indicates a better chance (43 percent odds) of a top quartile overall bank efficiency ratio. Said another way, if a bank does not perform in the top quartile of Commercial Banking or Administration, the chances of top quartile performance in overall bank efficiency ratio are about a third less.

The line of business level models identified efficiency ratio results for Information Systems Operations and Purchasing / Administrative Services as having the most influence on the Administration category efficiency ratio. Deposit Operations efficiency was the key driver of Retail Banking results and all Commercial Lending origination areas (Corporate, Commercial Real Estate, Middle Market and Small Business), along with Commercial Cash Management, were the key areas that predict performance in the Commercial Banking category.

So what can be concluded from these findings? First, while benchmark performance in every line of business may be a goal to strive for, high performance in certain areas is a must. Second, by achieving top quartile performance in the areas identified by our models, the odds of attaining benchmark-level overall bank efficiency are increased dramatically.■

"Can anyone remember what our core business is?"

Outsourcing/Offshoring: Are We Missing an Opportunity?

Dennis Sullivan
Chief Executive Officer
dennis_sullivan@renolan.com

When business problems creep into politics, I always get nervous. And when business problems creep into politics—in an election year—I get downright terrified!

The reason is that politicians can take a relatively complex problem (like healthcare) and turn the discussion into a series of 30-second sound bites in an effort to sway voters with a "vote for me" strategy.

"Global economy," "Corporate Darwinism" and other cute phrases populate the discussion and keep those pesky politicians away from either taking a position or justifying one they have determined will win votes. At the risk of inviting a discussion on this hot topic, let me cloud the issue with some facts.

- India and China have surpassed the United States in the number of computer science graduates produced.
- Seventy-five percent of South Korean homes have broadband, while 36 percent of U.S. homes have it.

These two simple facts indicate to me that we are not focusing on fundamental issues that impact jobs in the United States today. There is an old saying that "everyone wants to go to heaven, but no one wants to die." Everyone wants to keep jobs in the United States, but are we doing enough to ensure it happens? I don't know, but I do know that more and more service and IT jobs are going overseas.

Why? Other nations do it cheaper and are better equipped to handle the workload. Our economic model drives companies to make the best products at the lowest cost. If the lowest cost is in India, companies will go there for the work. It is an easy decision. Or is it?

My contention is that too many companies are looking at this outsourcing/offshoring solution as strictly a cost issue, when the real issue is about innovation and creativity. Designing the

new service delivery model is where we should be focused. Oftentimes companies are unaware of their cost and it is easy to ship the work out.

Rather, companies should be looking at how they deliver their services and focus on alternate solutions to today's methods. They should have a good understanding of today's costs, which few do. So it is important to have a good methodology for unit costing. One needs to understand where one is.

Now, if I told you we were no longer allowed to send jobs out and had to pay at our current wage structure, I'll bet you would see a renewed focus on innovation. It would mean survival! Offshoring and outsourcing options have made us lazy. It is a potentially easy solution to the "cost problem."

In the financial services world, it is more than just cost which drives customers away. Every project that looks at outsourcing should also have a component looking for the breakthrough idea which eliminates the need for the activity or function. The end result may be the same—loss of a potential job. However, this approach explores the development of a new service delivery model, and who better to implement and manage that model than the people who understand their own business?

Strive for perfection, not just a cheaper way of doing the same old thing. Use the outsourcing/offshoring debate to fuel your innovation. Tap the creative juices of our latest young talent coming into the workplace.

I'm not eliminating outsourcing/offshoring from company alternatives. I'm only challenging the U.S. business community to continually look for the "better mousetrap" versus just building the old one cheaper. In this current environment of lowering operating costs and building margin into our products, maybe it is also time for innovation and creating that next wave of new jobs. ■

Tips to Manage and Improve Systems-related Projects

Rod Travers
Senior Vice President, Technology
rod_travers@renolan.com

Some years ago, around the time when so-called open systems came on the scene, the notion that IT systems would be "easier to implement" began to take hold.

Words like "reuse," "plug-and-play" and "industry standard" created a false sense of simplicity regarding IT projects. In reality, the exact opposite has happened: Systems are far more complicated, risky and expensive to implement than ever before. Why?

Today's feature-rich systems cross organizational and informational domains both inside and outside an enterprise. This means IT projects have more people involved, competing interests, shared funding and functionality overlaps that blur requirements and accountability for results. As I've said many times, these aren't IT projects any more—they are business improvement projects. They will only reach their potential if we manage them accordingly.

Here are some key issues that we help our clients manage and improve as they undertake systems-related projects:

• **Prioritization**. Which projects should be approved, and which ones should be done first? These are vexing problems for most companies. Use these questions as a guide: Is the project aligned with corporate strategy (e.g., growth, top-tier service, low-cost leader, etc.)? Does it improve the customer experience? Are there measurable benefits, and is there broad consensus on the success criteria?

• **Business Engagement**. Eliminate rubber-stamp approvals and perfunctory project participation by the business stakeholders and senior management. These projects must be business-driven, with detailed functionality requirements, funding and success accountability coming from the business-side. In return, these projects deliver business benefits to those stakeholders.

• **Execution**. Recently I was in a steering committee meeting where a “three-year” IT project was being discussed. Such long-term projects are doomed to under-whelm or fail. Big projects are, in fact, a series of small ones and should be managed with phased implementations, interim go-live dates and business-driven release management. Self-contained small projects should be managed on a fast-track basis with quick-hit deliverables and obvious results. How? For projects big or small, assign a point person from IT and the business unit, and compensate them on the project’s success (on time, on budget, results delivered).

• **Results Assessment**. Remarkably, this is the step most companies skip. Yet this is the critical step that changes behavior and sets the tone for results-orientation versus activity-orientation. In other words, if you don’t get the business results then it doesn’t matter if you followed all the steps and finished on time. As a project is underway, the expected impacts and benefits must be repeatedly validated by the business stakeholders. Things change (e.g., regulations, competition, staff, costs, technology itself) and the project must adjust accordingly. One way to make this happen is to apply expected cost improvements to the budgets of the affected business units. If a project is slated to save the business $1 million, then cut $1 million from the business budget. If the project is projected to save five FTEs, build that into the staffing model. And publicly recognize and reward successes.

The phrase “get it done” is deceptively simple, but it applies to the environment in which we all operate today. IT systems and projects are indeed complex, but managing them effectively is a critical competency for successful companies. Simplify your efforts by focusing on the fundamentals and “get it done!” ■

Strategic Alignment: From Wish List to Success

Ron Zimmer and Eugene Reagan
Senior Consultants

You've spent time and effort developing your strategic plan. You spent hours describing your company's strengths, weaknesses, opportunities and threats. You spent big money on market research data and analyzed it until you saw the numbers in your sleep. You debated the possibilities of the Internet and the strength of your agency force. You labored over every comma of your mission statement. You put it all together in a nice package. Now what?

Too often, the strategic plan is a "wish list"—it identifies the areas in which senior management wants to be successful. But without an understanding of the difficulty, feasibility, effort, expense and business requirements, the plan stalls. Or even worse, the plan causes confusion and hostilities between internal departments. A common example is when an organization has an extensive service improvement strategy but neglects to communicate its plans to its field force. Another example: We have all seen friction between operations and systems over technology priorities, delivery and budgets. Each group bases its position on its view of the overall business strategy.

So how does a successful organization transform its grand strategy into the routine decisions and activities that are performed on a daily basis at all levels throughout the organization? How does management ensure that all tasks support the goals envisioned during the strategic planning process? As difficult as it was to develop the strategy, in most organizations the hardest part—implementation—is yet to be faced. Turning strategy into coordinated operational plans and organizational structures can require just as much vision and a great deal more time and effort.

The strategic plan should lead to operational plans that will achieve specific objectives on the way to long-term goals. The reality is that often the operational plans are not in sync with the long-term plan, the tactics are inadequate to deliver the goal and/or they are poorly implemented.

The question you need to ask is, “Can the business execute the strategy?” A complete strategic plan must include the operating/action plans that the business leaders can rely on to actually achieve the business objectives.

The next step is crucial for success: Align the company’s leadership, culture, objectives, resources, structure and operations to support the strategic plan and, in doing so, address the market opportunity (customer needs) and organization goals. The strategic alignment process can be used to develop the strategic plan itself, but more often it is required to make an existing strategic plan meaningful to the organization.

> *“In order to be successful, the strategic alignment process includes a larger cast of characters than those that are usually part of the strategic planning process. It is not limited to just senior managers and a few strategic planners, but includes a cross-section of managers and employees from all functional areas.”*

The strategic alignment process is a thorough, step-by-step process that validates the information gathered during strategic planning and develops a coordinated series of sub-strategies (tactics) that are designed to work together. This process requires that senior managers and their staffs work together to determine how the goals will be met and communicated to the stakeholders of the company.

The strategic alignment process begins by assuring that the strategic plan is complete and unambiguous. Are the vision and mission of the organization stated in a way that is clear and unique? Have corporate goals been identified? Are all strategy components (marketing, products, distribution, service, technology, people, organizational, financial) addressed?

It is here that the strategic alignment process really begins to drive new results. Working with teams across the organizations, two mandatory components are examined: (1) desired outcomes and (2) required business capabilities.

In order to be successful, the strategic alignment process includes a larger cast of characters than those that are usually

part of the strategic planning process. It is not limited to just senior managers and a few strategic planners, but includes a cross-section of managers and employees from all functional areas.

The first assignment for this cross-functional team is to translate the corporate strategic goals into desired outcomes. In other words, what do these goals mean—what do they look like and feel like to each department? This should result in an honest, open discussion and stimulate interplay between representatives of different areas that highlights the specific business capabilities that must be improved or developed. We now have a much more robust picture of the future state.

Also, some form of customer participation should be included in the strategic alignment process. This may take the form of interviews, surveys or market research. It may even involve direct customer participation in development sessions. Regardless of the form of customers' input, their contribution is vital if management is to understand customers' needs and their perception of the value of the desired outcomes.

One large life insurance carrier aligned its operational area by including agents and IT personnel on the analysis team. This enabled the agents to have input into services that were being planned. It also allowed the IT staff to understand the needs and priorities of the operational areas. This led to the orderly and successful implementation of several major IT projects within an 18-month period.

While the strategic plan probably describes both the current state and the desired future state of the company, usually what is missing is how you get from one to the other. The strategic alignment process addresses that by starting with a more detailed analysis of the current state of the company and its capabilities.

The key question now becomes, "What do we (as an organization) need to be able to do to deliver the desired outcomes?" And most importantly, "What is keeping us from doing these things right now?" The answers to these questions make up the list of required business capabilities (RBCs). You are probably familiar with core competencies. (They answer the question,

"What do we have to be good at in order to attract and retain customers?") This step of the process includes that question and goes well beyond it to define all capabilities required for success. Only by specifically nailing down the RBCs can corporate leadership make meaningful projections about the likelihood of the achievement of its long-term goals. The RBCs determine the unique mix of knowledge, skill, products, processes and technologies that will meet customer needs and also be profitable to the company.

Crossing the gap from the current state to the future state requires action in a wide variety of functions and processes that are performed in different units within the organization. We are all familiar with the following corporate reality: Well-meaning employees in one part of the business are convinced that their particular activities are necessary; however, they are discovered to be at cross-purposes with another area.

"The strategic plan is a great communication tool. It is an opportunity to outline the organization's values, mission, goals and strategies."

A simple example is when an operations department has incentives for improving customer service while a technical support department has incentives geared to expense reductions that affect customer service. We know this as the "silo" or "smokestack" effect, and it is the result of misunderstanding, miscommunication and, at the most basic level, mis-alignment.

Although the strategic plan may have been prepared with executives from across the organization, the operational plans are usually developed independently with little or no communications with other departments. The success of these plans, and the corporate plan, can be hindered by differing departmental priorities (and incentives) that result in conflicting behaviors. Another problem may be the lack of talent or expertise in key areas.

The alignment part of the strategic alignment process identifies these issues as it addresses the organizational changes necessary to move from the current state to the future state of

the enterprise. Many times, the organizational mis-alignment is a result of the current organizational structure. The company is simply not structured properly to address the goals and strategies of the strategic plan. Similarly, the infrastructure may not be in place to take advantage of strategic opportunities.

The strategic plan is a great communication tool. It is an opportunity to outline the organization's values, mission, goals and strategies. Strategic alignment develops realistic, coordinated plans to deliver the corporate goals. Managers and employees across the organization work together and understand how the plan will be implemented. This requires alignment of the organization's goals, strategies, structure, processes and technology.

Building alignment within the enterprise focuses attention on the customer and common corporate goals. It produces measurable results that ensure that planning becomes more than a management exercise.

The strategic alignment process addresses customer needs, corporate goals, clearly defined desired outcomes, organizational capabilities and the management and structure to get to the future state—and, through individual involvement, builds the commitment to make it happen. ■

Nolan Events

ACORD LOMA Insurance Systems Forum in Las Vegas, NV
Nolan client, Anthem Blue Cross and Blue Shield, will present a case study on "Performance Management Culture." The session will be held on Tuesday, May 25th from 9:45 – 10:30 A.M.

BAI/AMIfs Profitability & Performance Measurement Forum in Las Vegas, NV
On Monday, April 26th, Nolan President Bob Grasing will lead session participants in an interactive analysis of their banks' performance by line of business.

NAMIC Personal Lines Underwriting / Marketing Seminar in Chicago, IL
Nolan Chairman Ben DiSylvester will participate in the panel discussion, "What Agents Need—from a New Perspective." The session will be Thursday, April 15th from 1:00 – 2:15 P.M.

IASA Educational Conference & Business Show in Las Vegas, NV
Nolan Senior Vice President of Technology Rod Travers will speak on Business Process Management in the Technology Track. The session will be held on Tuesday, June 8th from 1:45 – 3:15 P.M.