

# *The Nolan Newsletter*

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*People, Process, Technology*



ROBERT E. NOLAN COMPANY  
MANAGEMENT CONSULTANTS

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ROBERT E. NOLAN COMPANY  
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## LEADERSHIP MAKES THE DIFFERENCE

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The Nolan Company is most pleased to partner with IASA to sponsor Rudy Giuliani as the keynote speaker at this year's annual conference in Boston on June 5. It is a special honor because whatever one's political persuasion, there is little doubt that Mr. Giuliani has provided us with many examples of how good leadership can overcome seemingly insurmountable obstacles.

When Mr. Giuliani took over as mayor of New York, he inherited a city known for its traffic chaos, crime, and other urban ills that seemed to be growing at an inhuman pace. Under Mr. Giuliani's leadership, the city transformed itself relatively quickly into one of the world's best and safest. With the overarching objective of restoring service to the citizenship, Mr. Giuliani's strategy was to "identify a problem that matters, involve people in the plan to fix it, implement the fix, and hold people accountable for results." Add a hefty dose of resolve to stay the course in the face of an outcry from those who didn't want change and we have a good model for leadership.

This leadership model works in financial services companies as well. Successful leaders involve people in the fix and hold them accountable for results. This must be done with a sense of urgency and an ability to hold off the naysayers who try to convince others that the poor results are beyond anyone's control.

Today's challenging environment demands that organizations take on bold new projects—an endeavor that requires strong leaders who demand solid planning and clear identification of objectives, leaders who recognize that processes and management practices must also change, that business requirements must drive the technology component, and that everyone must be held accountable for results.

We salute Mr. Giuliani for his leadership and for showing us how it should be done.

*Ben DiSylvester*

Ben DiSylvester  
Chairman

# IS YOUR “CONTINUOUS IMPROVEMENT” REALLY CONTINUOUS?

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Most process redesign initiatives these days use the term “continuous improvement.” This means instituting a constant, ongoing review of methods for improving the process or product.

Too often, after many hours of design and implementation, the end of the initial review is greeted with a sigh of relief and the hope that things can now return to normal. Wrong! Managers who adopt a continuous improvement initiative must create a culture where status quo is never good enough. They must develop a mindset that constantly seeks to find more efficient and effective ways of doing things and they must instill this attitude in their employees.

Continuous improvement requires dedication and a willingness to be guided by objective information sources and customers’ priorities. Goals are still set and paths are charted, but jobs become easier because change becomes easier. If done correctly, continuous improvement makes working more fun; employees get into an experimenting, trying-new-things frame of mind which makes the managers’ and employees’ jobs more exciting. People start working together towards common goals and offices become better places to work. The results of sustained, serious continuous improvement speak for themselves. The word “project” should never be used with continuous improvement because everyone wants to know when a project will end. With a little effort and a lot of dedication, practicing continuous improvement becomes easier than saying it.

William Swanson, CEO of Raytheon, has printed a 3- by 6-inch booklet for his managers called *Unwritten Rules of Management*. One of Swanson’s 33 rules states: “Never be afraid to try something new. An amateur built an ark that survived a flood while a large group of professionals built the Titanic!” Continuous improvement is not difficult; it just needs to be continuous. ■

# CLIENT SPOTLIGHT: A TOP-20 MULTI-LINE INSURER REVITALIZING IN-FORCE SERVICES

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Our client is a top-20 multi-line insurer that serves personal, commercial, and specialty markets. It distributes its products through a network of dedicated career agents and the company has a long history of customer focus and service quality, with a focus on America's middle market. It is now extending its reach into new states. The company was once primarily a property-casualty distributor but has expanded its business mix to include more life and annuity products, critical contributors to agency growth and survival in small-town and rural locations.

## ***Objective***

The company desired an immediate reduction in in-force service backlogs so that its agents would be able to reach year-end goals. Specifically, service cycle times had to be improved at least 20% to approach competitive levels, the pending transaction inventory had to be reduced significantly, and the wide swings—often over 250%—in service cycle time had to be narrowed to a more consistent level of 10–20%.

## ***Current Environment***

The in-force servicing area consisted of approximately 50 staff, most of them long-tenured, who responded to post-issue service issues—phone calls, customer requests, and agent requests, for example. There were managers splitting the staff, while others were sharing completely complementary, blended teams, both doing the same work. Phone calls were answered by all staff of both teams based on a rotating schedule. Transaction work was being performed simultaneously. In addition, all staff were expected to process work from all of the product lines. Although staff had been cross-trained to accomplish this wide range of work, stress levels were high and quality mediocre due to the breadth of knowledge required. Employees' inability to develop a routine further exacerbated the situation.

## ***Engagement Scope***

The engagement focused on the end-to-end processing of all service transactions and calls. To address the immediacy of the need, an intense problem resolution approach referred to as “triage” was

“It sure is nice not getting calls from agents and customers all the time complaining about transactions and asking for exceptions. I’m not even afraid to answer the phone anymore!”

- *Senior Customer Service Rep*

undertaken. Some of the solutions put into action right away were interim, intended only to patch the problems long enough to achieve immediate improvements. The triage approach buys time for determining and implementing permanent

corrections. In this client’s case, without an immediate fix, there might not have been a need for a permanent one.

The triage approach involved:

- Identifying high-impact, quick-hit ideas
- Developing a plan to attack the pending tasks
- Reallocating staff to focus on key problems
- Solving the phone service quandary
- Establishing easy-to-measure goals
- Expediting decision-making on changes
- Challenging longstanding but ineffective rules

Strong top-management support was key to quick implementation of the necessary changes.

### ***Project Results***

By collecting several hundred ideas from staff and then selecting the highest-impact of these, within 60 days:

- Pending inventory was reduced by 50+%
- Cycle times were reduced by 60+%
- In Good Order tasks were processed in under five days
- Service variances dropped 20%
- Phone answer improved to a 95% average

The company exceeded its year-end growth goals without sacrificing its reliable, competitive service. Staff productivity is at an all-time high, morale is strong, transactions are now handled promptly, and, most important, the agents are very satisfied. ■

## A FEW CONSIDERATIONS BEFORE OUTSOURCING

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Can outsourcing create value? Sure. But it can also be perceived as a panacea, in turn creating more headaches, higher costs, and service problems. Before making any outsourcing decision, the Nolan Company believes it's important to know thyself and get your house in order.

Companies such as Electronic Data Systems and Automated Data Processing were founded long ago on the basis of an outsourced service offering. It is today estimated that the outsourcing industry is reaching a whopping \$425 billion in revenue. IT and related business-process outsourcing (BPO) are the fastest-growing segments in today's IT services market. In the insurance and financial services industries, there is a common set of business functions that we've seen outsourced—they include adjustments, appraisals, facilities management, security, select IT functions, legal, HR benefits administration, and, of course, payroll.

The outsourcing industry was once based on purely functional services but has evolved to a mix of functional and cross-business process outsourcing. The concept that more processes are becoming commoditized and can be done off-site is an enduring one. Significant investments in human capital and business growth are helping vendors expand and improve their capabilities.

While outsourcing can have real benefits, we've seen too many companies rely on it as a quick fix to their long-term, structural problems.

While outsourcing can have real benefits, we've seen too many companies rely on it as a quick fix to their long-term, structural problems. Sometimes, hidden beneath a company's motivation to try outsourcing (high expenses,



missed service expectations, and internal barriers to growth are common incentives) is a fundamental misunderstanding of the root problems or a failure to confront them.

A few considerations as you move to any outsourcing:

- Understand and agree on what you are trying to accomplish through an outsourcing relationship. Objectives must be aligned between buyer and provider for the long-term relationship to work.
- Is everyone on board with the decision to outsource? Internal disagreement can make the arrangement difficult for both vendor and buyer.
- Before making any decision, get your house in order and be sure your company is delivering its service as cost-effectively as it can.
- Compare your internal costs and cost drivers to the outsourcer's best practices. Run multiple financial scenarios with full assumptions.
- Be wary of large increments of internal "shadow" expense that might reappear because costs were not understood or the vendor was unable to deliver.
- Don't give away margin to the vendor by making a premature decision or one based on today's way of doing things.
- Be careful when sharing competitive information with vendors. Give only a ballpark estimate of costs so the vendor can make a proposal. Do, however, share technical environment details so that the vendor can map its capabilities to your needs.
- Ensure that the process is objective, with ample effort dedicated to data discovery, analysis, and vetting. This also helps alleviate gaming on either side.
- Don't do too much at once.

Of course, there are always supplier-side issues, too. Proper due diligence and vendor reference checking alleviates many of these.

Yes, outsourcing can be a valuable proposition for buyers, customers, and suppliers. As in a marriage, these are long-term relationships which deserve time and careful consideration. ■

## THE FLAGON WITH THE WHAT?

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Since the beginning of my career many years ago, I have observed that a lack of effective communication has been and continues to be a problem in most companies. I am not referring to gossip over the cubicle wall, formal company communications, or responses to customer inquiries.

The issue instead is the communications between managers and their employees. Far too often, a manager knows exactly what they want done but fails to communicate it to the employee who will be working on the problem. As a result, the employee wastes time working on the wrong problem or seeking the wrong information. Ultimately, there are delays and both the manager and the employee become frustrated.

It's typical for a manager giving directions to assume that his or her audience understands everything said and knows exactly what to do. As a result, communication breaks down...

Years ago, one of my mentors explained that if I wanted to be an effective communicator, I had to assume that one of the two people in a conversation was “dumb as a post.” My mentor then explained that I should assume it was the other person and take great care to communicate properly. It's typical for a manager giving directions to assume that his or her audience understands everything said and knows exactly what to do. As a result, communication breaks down and the audience walks away scratching their head and wondering what it is that they are to do.

Some of you may have seen a 1956 movie starring Danny Kaye called “The Court Jester.” This movie contains a great example of confusing communication. The character played by Kaye (Hawkins) was supposed to poison someone and Griselda was giving him directions. The conversation went like this:

*Hawkins:* I’ve got it! I’ve got it! The pellet with the poison’s in the vessel with the pestle; the chalice from the palace has the brew that is true! Right?

*Griselda:* Right. But there’s been a change: They broke the chalice from the palace!

*Hawkins:* They broke the chalice from the palace?

*Griselda:* And replaced it with a flagon.

*Hawkins:* A flagon...?

*Griselda:* With the figure of a dragon.

*Hawkins:* Flagon with a dragon?

*Griselda:* Right.

*Hawkins:* But did you put the pellet with the poison in the vessel with the pestle?

*Griselda:* No! The pellet with the poison’s in the flagon with the dragon! The vessel with the pestle has the brew that is true!

*Hawkins:* The pellet with the poison’s in the flagon with the dragon; the vessel with the pestle has the brew that is true.

*Griselda:* Just remember that.

The scene, while funny, points out that giving or changing the simplest of instructions can quickly create confusion. The question is how many times have you given poor or confusing

instructions? Here are some (obvious) helpful hints for improving communications:

***For instruction-givers:***

1. Assume the employee to be instructed has little if any knowledge of the task in question.
2. Provide specific deliverables and a reasonable timetable.
3. Provide background information that explains why you want the employee to complete the task.
4. Provide the employee with guidance on a methodology to complete the task.
5. Ask the employee to explain what you have requested and correct them if they are wrong.

***For instruction-receivers:***

1. Do not assume you know what is being asked of you.
2. Be sure you understand the specifics of the deliverables and their respective timetables.
3. If you don't understand why you are being asked to undertake this effort, ask questions as it may help you in completing the task.
4. If you have an approach to completing the task, share it with the instructor or ask for guidance if you're not sure how to complete the task.
5. Even if not asked, tell the person instructing you what you believe has been asked of you and request that they correct any misunderstanding you have.

Even the best manager often forgets that an employee's knowledge, interpretation, or opinion of a situation might well be different from the manager's. It's therefore critical that instructions to others be clear and effective to prevent the wrong person from drinking from the flagon with the dragon. ■

## DON'T BE A PROCESS PACK-RAT

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A recent series of contact center projects have brought to light an amazing phenomenon—we can't let go of any working process, no matter how redundant. It's the pack-rat in all of us that makes us hang on to old reports, pre-1986 project plans, and processes used so seldom that new employees don't even know they exist. The problem is that new processes are built around old ones or integrated with them. New technologies and applications are supposed to help us work smarter, but in reality, we find that the costs behind many processes continue to escalate.

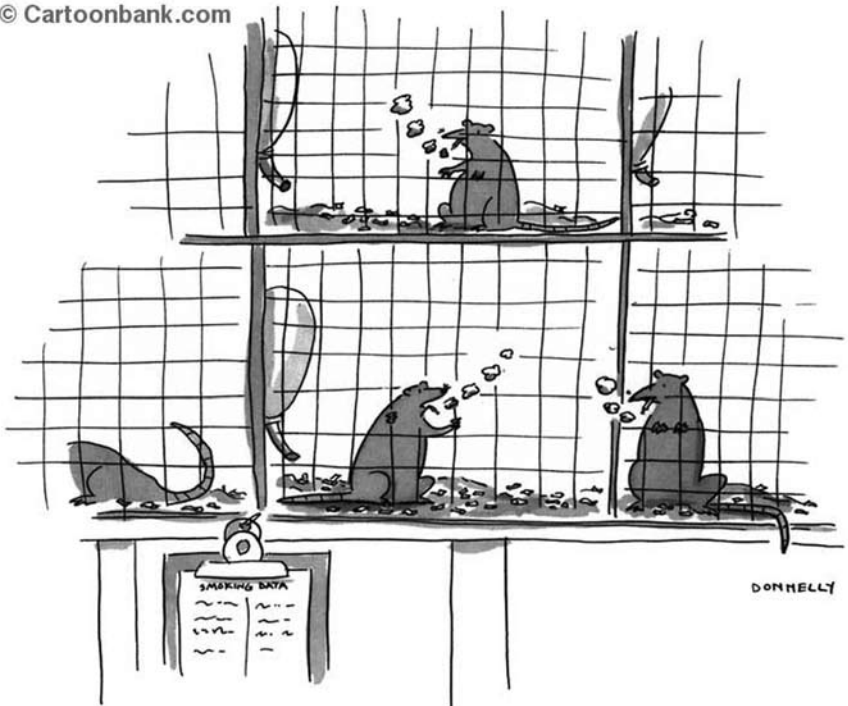
One particular area that requires a thorough review is within most call centers. With the advent of web applications giving vendors, customers, partners, and others the ability to get information on-line, we are providing faster and better service. However, in the spirit of trying to be all things to all people, we continue to provide access to these same customers via fax, phone, written correspondence, and e-mail. These forms of communication are typically unique processes that require dedicated staff and quick turnarounds. This is all well and good for your customer service satisfaction scores, but it just drives your costs up and often sets unrealistic expectations for the future.

The challenge is to develop a cost-effective service strategy that meets the primary needs of your customers and partners and then to design processes around that strategy. Build incentives early so that information-seeking users shift their behavior. Monitor the information flow. Look for strategies and incentives to move your customers from the old process to the new. This allows you to sunset old processes sooner, capture the payback for your technology investment, and realize overall cost savings while providing better service.

Call centers will install voice-response capability and think it will resolve 30–40% of the call volume. What frequently happens, however, is that many customers opt out to a live person. This is an example of underutilized technology improvement. The challenge is to determine why customers feel they need to speak with a live person. Is it difficult to navigate the recorded scripts, for example? Make whatever front-end improvements are necessary to help customers become comfortable with the new process. Companies that are able to transition more of their customers to the latest technology typically attain better customer service results at a lower cost—and isn't that everyone's goal?

Focus on automating the easier transactions. Look for outdated and cumbersome manual processes that serve only a small percentage of your customer base and begin to rid your operation of the waste. Don't be a process pack-rat. ■

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*"I'm down to two hundred and sixty-three packs a day."*

# FIND YOUR CALL CENTER OUTLIERS AND COACH THEM TO BETTER PERFORMANCE

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I recently made a follow-up visit to a client that had significantly improved its call center operations by implementing a series of Nolan recommendations. During the visit, client managers showed me a set of reports they called “Outlier Reports.” These reports identified individuals whose performance was below a given level on several call center metrics. The idea was to identify the people who could benefit the most from coaching and training.

I must concede that the Outlier Reports were not one of the Nolan recommendations, but I was so impressed with their effectiveness that I wanted to share the idea. This concept works very well because a small percent of your staff can have a significant adverse impact on overall call center performance. If you can identify these people and coach them towards improved performance, you might be surprised how much overall performance improves.

So, here are five key metrics to get you started with Outlier Reports:

***After-Call Work (ACW) Time*** – ACW time is the time spent immediately after a call to complete needed documentation or to perform work that can’t wait. It’s also a nice way to catch a breather before taking the next call. It’s important to identify people with high ACW time, and it’s also important to know why it’s so high. The Outlier Report can identify the people, but you’ll have to invest time talking with each person, showing them the data, and explaining the proper use of ACW time. You can also sample their call documentation to see if it’s excessive and possibly adding to ACW time. If people are simply using ACW as extra break time, you’ll need to explain how that behavior adversely affects everyone else.

***Percent of Pended Calls*** – This is the number of calls that cannot be resolved on contact divided by total calls answered. Pended calls

require additional research or follow-up work to close the inquiry. The measure is important because these pending calls create additional work. The Outlier Report identifies the people who pend the most calls, and if you review a sample of their pending calls, you'll almost certainly find training opportunities. Most frequently, people with high pending call rates pend calls unnecessarily. You may also find it better to have your staff spend an extra minute or so in ACW and resolve the call rather than pend it, but be careful. If the extra work takes more than two or three minutes, it's probably better to get out of ACW and pend the call.

***Long Calls and Short Calls*** – Short calls are those lasting less than 5-10 seconds and long calls are those over “x” minutes. Over a period of time, each of your staff should get an average number of these long or short calls. For short calls, the Outlier Report identifies people who may be intentionally hanging up just to increase their call volume. If you're recording calls, you can review the recordings to see if this is the case. For long calls, the Outlier Report should identify people who need more training. Again, listening to calls is extremely helpful, but sometimes a simple discussion can uncover those call types that create the problem.

***Average Hold Time per Call*** – This metric is important because callers don't like to be kept on hold. Extended hold time is also expensive, as it sometimes ties up two or more people. The Outlier Report will almost certainly identify employees who need more training. Call recording can help you pinpoint the call types that create the extended hold times, but even without it, listening in and coaching can be very effective. If the added hold time is simply due to excessive documentation or difficulty navigating the system to find the correct answer, these work habits should be easy to spot and correct.

***Percent Schedule Adherence*** – For those of you using workforce management (WFM) software, you know that schedule adherence measures the percent of time that people are where they are supposed to be. It's a critical metric because low schedule adherence means





*“Please stay on the line. All of our customer service representatives are kidding around and throwing paper airplanes at each other.”*

wasted resources. A good goal is 90% and anything under 80% over an extended period should be considered unacceptable. The Outlier Report will identify those people who need to be trained to discipline themselves more. You might also consider an Outlier Report for anyone over 95%. This might identify people who spend way too much time talking with the WFM folks and tweaking their schedule to get the highest possible adherence score.

One metric we don't recommend for Outlier Reports is talk time. Measuring long calls and hold time per call should cover most talk-time issues. Also, putting too much emphasis on talk time can lead to rushed calls and you don't want that.

Give Outlier Reports a try. I'm sure you'll find them easy to develop, and they will force conversations between supervisors or trainers and the people who can do the most to improve overall call center performance. ▪



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In a recent best-seller, one of the main characters works as a “gister” for the National Security Administration. “Gister” is based on “gist,” as in “give me the gist of the situation.” A gister scrutinizes masses of text, satellite photos, and recordings on a particular topic, then distills patterns and trends into a big-picture summary.

The deluge of requirements, trends, and opinions coming out about the insurance industry begs for the talents of a gister. To be useful to executives, the data needs to be boiled down to the key issues and trends. Given all the priorities and changes (many of which seem to be contradictory), exactly where should the focus be so that survival—possibly even growth—is ensured?

Looking to the future, a wide array of demands face today’s insurance-industry executive. The challenging questions include:

- How important is expansion into international markets, and which ones offer the best opportunities?
- What implications to marketplace and product design will the aging of America’s baby boomers bring?
- In order to meet the growing demand and focus on ROI, what is the best use of capital and can insurance provide the returns needed?
- Where is the best place to get the much-needed improvement in returns—underwriting profits, distribution, expense reduction?
- How will organization, distribution, and servicing become prominent as competitive differentiators?

Within the tried-and-true methodology of process improvement lies a technique that will help bring some degree of order to informational

chaos—the survey. The opinions and projections of industry leaders are the best source we have to decipher the volumes of complex issues. Like the focused efforts of a process improvement team, an effective survey must be carefully constructed, involve the right perspectives, and include careful sifting and analysis of the results. Otherwise, surveys run the risk of gathering only restatements of current conditions, esoteric reflections, and macro-trend comments that aren't necessarily actionable.

Our last life and annuity insurance industry survey, conducted in 2002, inspired operational guidelines that have served well for three years. Now, with the industry undergoing structural as well as operational challenges and change, an updated view from the top is needed. With the assistance of leaders like you, we have been collecting the gists of key strategic trends.

The 2006 survey will cover a range of topics—internationalism, organizational structure, expense management, distribution, and technology, among others. The results will be a synthesis of the insights, visions, and strategies of some of your most esteemed colleagues. Consider the survey the “gister” of the insurance industry.

The results will be a synthesis of the insights, visions, and strategies of some of your most esteemed colleagues. Consider the survey the “gister” of the insurance industry.

The survey results will be published soon, coinciding with a Nolan-hosted webinar on the findings. ■

# ASSESS, ORGANIZE, AND REBUILD: A FORMULA FOR REALIZED IMPROVEMENT

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Summarized, a process to systematically improve a bank can be stated as “assess, organize, and rebuild.” The underlying assumption is that banks have the necessary information, resources, and incentive to tackle this process. Let’s walk through the steps and see where you stand.

The assessment requires pertinent information on process productivity, base and incremental cost, service delivery, real error rates (and the associated cost), personnel and technology, customer retention, and customer perception of the major area in question. It is also very useful to understand how your bank compares to its peers with regard to each of the metrics; this comparative analysis might point to specific high-performance measurements. Without the assessment, arriving at the bottom-line impact of a rebuild will be purely guesswork.

As an example, we’ll use a well-respected Midwest client bank that participated in our annual Nolan Efficiency Ratio Study. One year, the bank analyzed its performance results and found that its commercial lending operations had one-half the productivity (and twice as many staff) as high-performing banks. In addition, this bank was operating at 68% of the average bank’s productivity as reported by a pool of 32 banks. We helped them analyze the potential for improvement (a more than \$1 million increase to their bottom line) as well as the source of the gap. The primary symptoms were an extremely high documentation error rate (57%) and a slower-than-normal processing time. The high error rate, which had been worsening since conversion to a new loan accounting system, prompted the manager to set up a quality control unit composed of his best staff members.

With our assistance, the bank organized a project to fix the problem: It committed key staff members from commercial loan operations, loan administration, relationship management, product



“Beg.”

support, information technology, and loan documentation. The team met three days a week for four hours and received direction from executive management on the expected results.

Facilitated by a Nolan senior consultant, the team used our structured methodology to rebuild the entire process. The improvements were made using the existing technology to advance the decision process to the field and place, leaving only pure key entry to the loan operations staff. This required interfacing elements of their process, leading to more control and a much faster timeline.

Too many organizations redesign their processes but delay or fail altogether to implement an actual rebuild. We believe that action-oriented banks need to put as much emphasis on managing the implementation as they do in arriving at solutions.

For changes that cost it \$175,000, the client bank realized \$1.7 million in staff reductions and it gained relationship-manager productivity. The potential for a tenfold savings makes this simple assess, organize, and rebuild formula a great one for any organization. ■

# SUCCESSFUL CROSS-FUNCTIONAL PROCESS IMPROVEMENT



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A recent project we undertook highlighted the difficulty organizations often have with cross-functional process improvement. In this case, the client's new business process cut across multiple functions. Any non-standard wording in contracts had to go to Compliance before the contract could be issued. Requests for non-standard wording were frequent and Compliance nearly always approved the changes. This inefficiency had a serious impact on the Issue Department's service level. Numerous cross-functional project teams had been put together over the years to solve the problem but in each case they failed to make any change or improvement.

What makes cross-functional process improvement so difficult? Departments are formed to fulfill different organizational needs. To meet those needs, each department evolves as a distinct unit. The greater the differences between departments, the more difficult it is to make improvements to any shared process. In our Issue/Compliance project, some of the key factors that made it difficult for these project teams to achieve success were as follows:

FACTORS	ISSUE DEPARTMENT	COMPLIANCE DEPARTMENT
Priorities	Quick issuance of new contracts	Accurate filing and implementation of new products
Accountabilities	Timely and accurate service to the producer	Ensure that all issued contracts match the filed and approved wording
Nature of the individual contributor's job	70+ employees in a job built around a single task	6 employees in a job built around a diverse set of tasks
Organizational layers between team members and a common boss	7 layers to the president and CEO	4 layers to the president and CEO

These were the client's main obstacles to success. Each cross-functional process improvement area will have its own unique set of

factors and degrees of differences. Here are a few things to keep in mind when pursuing cross-functional process improvements:

- Create a single overarching mission statement. This statement must explain why the team is being assembled and what it is expected to accomplish. For example, “The purpose of this team is to create a unified billing process that facilitates rapid and accurate billing reports.” Just as important, the mission statement must suggest what the team will not tackle.
- Empower the project teams to act. The sponsor(s) must delegate authority to these teams. If a team’s job is to recommend application tracking software, they must be assured that if they do solid work, their ideas will be implemented.
- Reward team participants. However the organization handles compensation, it must find ways to reward people for their work on project teams. Hearty handshakes aren’t sufficient.
- Create a structure to support these teams. The team will need all the support it can get. The team will need to meet and communicate easily. It will need direct access to those who can supply valuable input and equal access to the recipients of their work. In other words, the traditional chain of command must be abolished for these people.
- Pick the right people. Pick people who are eager to work on this task. Everything else is secondary. Aim for a balance between departments and try to keep the levels similar. The team will benefit from a good mix of skills and experience.
- Allow sufficient time. Examine the mission and set realistic deadlines for the group to complete its work. If the team must tackle complex or critical tasks, it will probably need lots of dedicated time. Scheduling a few one-hour blocks will probably be insufficient. Revisit this decision soon after the team begins its work and change the time allocations as needed.

The functional approach is still the predominant one to organizational structure. We have found that the greatest customer-centric business performance opportunities often lie in cross-functional process improvement efforts. With attention to the inherent challenges, you can have consistent success. ■

## LESSONS OF THE TOOL BELT

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I was working quietly in my office at home when I heard my wife answer the door. Then I heard her escort a man down the stairs to the basement as they talked about a puddle of water. The man was Tim the Plumber and when it became obvious that they needed my help, I went to get my tool belt from the garage.

Thirty minutes later, after I'd found my tool belt, I met Tim the Plumber as he was coming upstairs. He had already fixed the problem and had even prepared the bill. As we did the credit card transaction, he explained the problem and solution using plumber talk. We chatted for a few minutes and then he left.

Later in the day, I had occasion to tell my wife, "You know, Karen, I could have fixed that problem. We really didn't need Tim the Plumber." She responded, "Yes dear," using that special tone of voice reserved for these types of conversations. "But after you'd fixed it he would have had to come and work on your work. Let's have Tim work on his work and you on yours." Indestructible logic delivered in that special tone of voice. End of conversation, end of story.

### *The lessons:*

Knowing a plumber before you need one is a good thing. Same goes for doctors and professional service providers like actuaries and management consultants.

Every executive has their own tool belt. Professional education, assignments across a career, experience in different companies and industries, social networks: Each of these counts as a tool on an executive's belt. Each executive undoubtedly has a belt, but each is likely a bit different. For example, I was trained in group underwriting in a very structured and formal training program and used those skills in the early years of my career. Those skills combined nicely with my



business education in marketing. Now when I work with a client's profitability problem, my tools help me approach the problem differently than someone who has claims management tools on their belt.

Even if you have the tool, you have to be able to use it. We've all known an executive who is familiar with a tool or technique but quite unfamiliar with the details of how to use it. I will be honest—there are tools on my tool belt that would take me a few minutes to figure out how to use. Many executives run into this same problem, but the learning curve might be weeks rather than minutes.

Some problems require specific tools. As some readers know, I love things like Swiss army knives and Leatherman multi-tools. Perhaps it's because they are so well manufactured, or because these gadgets combine so many different capabilities into one device. Despite their multiple uses, there are situations that my trusty Leatherman can't handle. I need something completely different—like the value puller that Tim the Plumber used. A smart executive knows when the tool at hand isn't the tool that is needed.

Essentially, sometimes in the interest of social harmony—whether in the house or the office—you need to call Tim the Plumber. ▪

## REQUIREMENTS: WHO KNOWS BEST?

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Rod Travers  
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A relatively unknown cell phone manufacturer once upended the handset market by offering a phone that was revolutionary at the time. It was small, had long battery life, and was easy to use—it was the first handset, in fact, that didn't require a user's manual. Almost overnight, this phone became a best-seller. But in recent years, the same manufacturer has lost market share to the very competitor it once overtook. The newest models of the one-time market leader have been out of touch with the market, increasingly gadgety, harder to use, and, in general, just weird. How could things have gone so wrong?

Here's another example. An automobile manufacturer was for many years the leader in the luxury segment with its stylish, high-quality, safe cars. Its customers began to ask for things like cup holders, iPod connectors, less road noise, and conveniences like a remote that resets the car to the driver's preferences. But the established manufacturer had its own way of doing things and made cars without cup holders because its philosophy was "People should enjoy driving our fine machines without distractions like coffee." Meanwhile, several new luxury car brands entered the marketplace. One competitor has quickly become dominant, offering the public cars with lots of cup holders and other in-demand features. Oh, and this manufacturer's cars are less expensive and their dealerships feel like high-end coffee houses with every accommodation for the busy professional. The manufacturer that once ruled the luxury segment has lost market share and brand caché to its upstart competitors. How could the auto maker cede its position?

I attribute both these rise-and-fall examples to ignoring or misinterpreting customers' requirements. These examples are easy to relate to, but perhaps less obvious are the detrimental effects of mishandling (or not gathering) user requirements in a business setting.

Many of us have lived through systems initiatives and process changes that were doomed from the start by inadequate requirements. These days, the market will not forgive poor designs of business processes and technologies. Market leaders (and challengers) have made requirements management a core competency.

Here are some things to consider when establishing requirements:

- Accountability for accurate, meaningful business requirements falls equally on process owners and I.T. Experienced staff members from each discipline must be engaged in the development process. A facilitated workshop process is the most effective approach.
- Requirements development is neither simple list-making nor annotated process mapping. It is a specialized process that involves desired-state modeling, feasibility analysis, and objective and subjective value judgments. It is a process guided by business strategy and tempered by time, cost, competitive pressures, and other practical factors. If you don't have a formal requirements process, seek trusted outside assistance on your next major project and then incorporate what you learn in your own process.
- Users are not experts in articulating requirements, nor do they distinguish between *wants* and *needs*. Prioritizing on *needs* will make the most impact on meeting service goals, be much less expensive to implement, and be ready to go sooner than chasing after too many *wants*. By the same token, technical limitations are not in themselves a reason to dismiss a requirement. A formal requirements process gives users and decision makers a value framework in which to vet these factors.
- Requirements must not be based on a poorly designed or obsolete process. Process redesign must be integral to developing business requirements.

Developing requirements can appear deceptively simple. I hope my examples demonstrate the importance of getting requirements right. With experience and discipline, any company can master the art of developing requirements. I'm interested in hearing your thoughts on the subject. Please send me a note at [rod\\_travers@renolan.com](mailto:rod_travers@renolan.com). ■

## ***AMIFs-BAI Profitability & Performance Measurement Forum***

**April 23-26: Las Vegas**

Nolan Practice Director, Rob Keene, will present the session “Teller Staffing & Scheduling--Getting the Best Return” on Monday, April 24, from 11:15 a.m-12:15 p.m.

Nolan President, Bob Grasing, will give a presentation titled, “Targeting Dramatic Operational Improvements through Relevant Line of Business Measurement” on Monday, April 24, from 3:00-3:45 p.m.

The Nolan Company is proud to be a Premier Sponsor.

## ***LOMA Contact Center Workshop***

**April 26: Minneapolis**

Ed Fenwick, Nolan Vice President, will be co-presenting a session with our client, UnumProvident. The session is titled, “Moving Beyond the Call Center: How to Maximize Resources in a Service Center Environment” and will be from 1:00-2:00 p.m. on Wednesday, April 26.



## ***NAMCP Spring Managed Care Forum***

**May 4-5: Coronado Bay**

Merit Smith, Nolan Vice President and Practice Director, will present a session titled, “Conflict Theory and Provider Contracting” on Friday, May 5, from 10:30-11:30 a.m.

## ***ACORD-LOMA Systems Forum***

**May 22-24: Las Vegas**

Our client, Assurity Security Group, will present a Nolan project as a case study session called, “Fusing Process & Technology to Deliver Business Results” on Wednesday, May 24, from 9:45-10:30 a.m.

The Nolan Company is happy to be a Bronze Sponsor.

## ***NAVA Operations & Technology Conference***

### **June 4-7: Tucson**

Ed Fenwick, Vice President, will serve on a panel for the session “No Passport Needed.” This panel will discuss how to find and utilize horizontal knowledge across your organization.

## ***IASA Annual Conference***

### **June 4-7: Boston**

Nolan is pleased to sponsor keynote speaker, Rudy Giuliani, at this event. The former New York City mayor will share his thoughts on leadership on Monday, June 5, beginning at 7:30 a.m.



Steve Discher, Nolan Vice President, will co-present a session with our client, Capitol Indemnity Corporation, called “Tackling the Ongoing Expense Challenge: Leave No Stone Unturned.” This session will take place on Monday, June 5, from 1:45-3:15 p.m.

Nolan CEO, Dennis Sullivan, will present a session with our client UnumProvident. The session, “The Power of Process: Linking Process & Technology to Deliver Business Results,” will be on Tuesday, June 6, from 3:30-5:00 p.m.

Nolan Senior Vice President, Rod Travers, will contribute to the CIO Roundtable session, “Life After Paper.” This session is scheduled for Tuesday, June 6.

Please visit [www.renolan.com](http://www.renolan.com) for more information on the events.