The Nolan Newsletter

People, Process, Technology

NOLAN

ROBERT E. NOLAN COMPANY
MANAGEMENT CONSULTANTS

Third Quarter 2003 *Volume 30, Number 3*

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Be Careful Not to Block Your Organization's Success

At a recent leadership forum I attended, one of the panelists, a CEO of a Fortune 1000 company, said simply, "There are 10 major initiatives going in my company, and I have to stay on top of what every one of them is doing." He added, "If I don't, they will fall into the bureaucracy and get lost." How many times have we seen that happen to major initiatives?!

With 30 years of experience in assisting companies to bring about organizational change, we have observed many programs start with great promise—and then dissipate into ineffectiveness. Often, the initiative lapses into a "them-against-us" mentality that renders the effort ineffective. Rather than staying focused on helping the organization improve, the initiative begins to focus on self-preservation and blocks even good ideas that could bring true progress to the organization.

Sometimes even solid strategic decisions have unintended negative results. Jack Welch, when he was CEO of GE, realized that many good, new product ideas were summarily dismissed in his organization because he had mandated that GE should be number one or two in any market it entered. Sometimes well-meaning standards that are adopted in organizations to streamline decision-making and avoid wasted resources can be counter-productive when new technologies emerge and appear to contradict those standards.

I can personally remember a conversation we had long ago with a company's head of productivity. He expressed concern about implementing computer terminals because if they went down, processing would stop and company productivity would suffer. Laugh if you must, but there are decisions being made in organizations today that are no less preposterous.

How do you prevent this from happening in your organization? A good starting point would be to measure the effectiveness of corporate services and other staff functions, just as you measure the results of your operations areas. It isn't just the cost of the functions, but also whether the efforts are achieving their intended results.

For example, is your Six Sigma program reporting on quality or actually improving quality? Is the technology function actually supporting the business units it is intended to serve—or dictating to the business units what they can do, or not do, with technology? Interestingly, by 2005 even the federal government will require the measurement of all programs relative to their effectiveness in meeting intended objectives on a pass/fail basis. Your people already will know which staff functions are passing and which are failing in their support of the business units.

Everyone agrees that the performance bar is being raised every day in organizations. As another CEO said at that same leadership forum, "Organizations need to be responsive and adaptive, move fixed costs to variable costs, focus on those things that will differentiate them and ensure their business model is resilient."

It is important to ensure that the very functions created to facilitate the reaching of these objectives are doing just that—and not blocking progress in meeting those objectives.■

Ben DiSylvester

Ben DiSylvester
Chairman

"O.K., I messed up. He didn't have to rub my nose in it."

Nolan Study Finds Insurance Executives Counting on Technology but Wary of Results

Insurance executives believe that technology is critical to compete, but their current systems are not helping enough.

This is one of several findings uncovered by a new study conducted by the Robert E. Nolan Company. The study examines technology strategy and implementation in the insurance industry and the relationship between technology and business performance. Other study findings include:

- **Different perspectives** – A significant difference in opinion exists between IT and business executives about how well projects meet expectations for being on time and on budget, and for delivering promised results.
- **The missing link** – Though the situation is steadily improving, a significant gap still exists between how well business executives/managers understand new technology and, conversely, how well IT executives/managers understand the insurance business. This continues to hinder good decision making.
- **The more things change, the more they remain the same** – The key drivers for new technology expenditures continue to be service improvement and expense reduction.
- **The troubling trio** – Participants were asked to evaluate the major elements of their system development process: decision making, project planning, customer requirements, business requirements, system requirements, implementation planning, testing, training and rollout. The study revealed: (1) many organizations either lack or don’t follow a well-defined system development methodology; (2) most methodologies do not incorporate business process design; and (3) measurement of results is weak.
- **Lack of confidence** – Overall, executives believe that system vendors do not adequately understand the insurance business. Respondents also expressed low confidence in outsourcing.

To download the complete study report, titled “Technology Strategy and Implementation in the Insurance Industry,” visit the Nolan Web site at **www.renolan.com**. ■

A GOAL IS A DREAM WITH A DEADLINE

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Wanting to get a feel for morale, in a recent employee survey I asked the question, “How is your motivation?” One of the responses was, “Motivation to do what?”

Motivation is sparked by goals. Simply stated, goals are things you want to accomplish. They provide direction and help answer the following questions:

- What are our desired results?
- Where can we, with our limited resources (people, money, competence), really make a difference?
- What are our criteria for success?
- What do we want to accomplish first? What are our priorities?

Meaningful goals need to be realistic. Motivating goals need to be a stretch—somewhat difficult, a little risky, slightly dangerous and, above all, engaging. We see that effective goal-making has three components:

1. Set goals that make a difference—goals that stretch traditional expectations but are attainable.
2. Don’t stray from these goals—measure and hold people accountable.
3. Lead—set a tone of urgency and support implementation.

Set Effective Goals

We commonly think of goals as something external to ourselves. Something that is out there, that we can either reach or ignore. But for people who have internalized the goals, they become a driving force—a passion—and cannot be ignored.

A useful exercise to clarify and add meaning to your goals is to imagine that that goal is fully realized. Then ask yourself the question, “If I actually had this, what would it get me?” What you may discover is that the answer reveals deeper desires lying behind the goal.

Your subconscious also has to believe in the goal. If not, for the same reason that lie detectors work, internal stress will distract and limit motivation. The subconscious is especially receptive to the "right" goals—goals that are in line with your and the organization's aspirations and values.

"Stretch goals force people to let go of conventional wisdom and comfortable situations. By driving creativity and innovation, they help people to think about and see the world differently. Stretch goals accelerate change."

Stretch goals force people to let go of conventional wisdom and comfortable situations. By driving creativity and innovation, they help people to think about and see the world differently. Stretch goals accelerate change.

Don't Stray, Measure

Once underway, the next question is usually, "How are we doing—to what extent have we achieved the results?" To help answer that, a measurement system needs to be developed to track progress.

Measures may be organized into key result areas and displayed in scoreboards or dashboards. No matter how you report on progress, establish a strong monitoring and control system so you know what is happening, when and where; if there is a problem you will then know about it quickly and can take action before it becomes bigger or gets out of control.

Measures support accountability. Management should ask questions like "Are we on schedule?" and "How well are we using our resources?" If there is a problem, managers need to be removing roadblocks, applying resources and, when absolutely necessary, making course corrections.

Creative tension—the desire to reach the goal—becomes an energizing force. Emotional tension—the anxiety caused by having the goal—is a negative force that can be compounded by discouragement, hopelessness and worry. Overcome the fears by providing enough support that people don't lower the tension by lowering the goal.

Interim goals are important. Recognize and appreciate progress as it occurs. It might take years to achieve major goals, but short-term targets make it easier to be patient regarding long-term goals. Also, watch for unanticipated accomplishments; many times important accomplishments are neither predicted in advance nor appreciated when they occur.

Execute

Execution is the critical part of any successful goal and strategy. Getting it done, getting it done right, getting it done better than the next person is far more important than dreaming up new goals or visions of the future. All the great companies in the world out-execute their competitors in the marketplace.

Great institutions are driven to ever-increasing levels of accomplishment by leaders who are passionate about winning. According to IBM's ex-chief, Louis Gerstner, effective execution is built on three attributes of an institution: world-class processes, strategic clarity and high-performance culture.

In high-performance cultures, leaders set demanding goals, measure results and hold people accountable. They are change agents, constantly driving their institutions to adapt and advance faster than their competitors do. And they roll up their sleeves and tackle problems personally.

The value of goals comes from the combination of what the goal is and what it does for the organization. Goals make values become real. They make the organization and the people in the organization more important.

No one in the organization should ever have to ask, "Motivation to do what?" ■

GETTING CONTROL OF HEADCOUNT, THE ENDLESS BATTLE!

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The financial service industry has been challenged in the last few years with a struggling stock market, shifting customer needs, inconsistent annuity sales and severely impacted investment income projections.

Organizations are tightening their belts, refocusing on expense reduction and reducing headcount totals. Much of the expense trimming is necessary and grew from the excesses of the mid-1990s. Project managers, staff support people, subject matter experts and business analysts of all types are feeling the pinch. In good times many organizations promoted good workers to staff positions to help with project work and "new world" technology efforts.

Now as times get tight, those staff positions begin to look vulnerable. Unfortunately, that talent pool represents many years of experience that companies can't afford to lose. Also, line areas are up against reduced staff requirements. What to do?

Some staff people are assigned certain roles because they are not cut out for middle management, yet they have good front-line supervisor skills. If that is the case, make a change. Good supervisors are tough to find and harder to keep. People who have had some experience in staff areas often have gained new skills, which will help them be better leaders on the front lines. They also may have gained new skills to position them back on the growth track for management.

In the future, refrain from using staff positions as a pre-retirement area. Too often we've seen long-tenured people become ineffective at supervising or managing and who are consequently moved off to the side to do "project work." It is a costly way of not dealing with individual performance. Long-tenured employees need to continue to contribute.

If management has created the situation, then management needs to fix it. Get your talent pool back into production. Do the employees a favor and put them in a position where they can be successful.

Staffing models are the solution for the headcount problems. Companies who have had them in place and used them to balance workload and staff are way ahead of the game. By using this tool as part of an overall operations control strategy, companies are able to avoid "headcount creep." Companies who find themselves in the position of reducing headcount without a solid management tool to help, end up cutting the wrong areas and the wrong people.

"Some staff people are assigned certain roles because they are not cut out for middle management, yet they have good front-line supervisor skills. If that is the case, make a change."

We are coming through a difficult time in business and it is a good time to revisit your operations control strategy. Yes, it is more blocking and tackling, but it takes good leadership to instill the fundamentals and discipline of effective operations control.

Take an inventory of your management tools that are for balancing staff and workload. If the tools are not where you want them to be, let's talk—I know we can help! ■

TYING IT ALL TOGETHER

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In the late 1970s, VisiCalc burst onto the scene and became the application that legitimized personal computers, even though the IBM PC was years away from being born.

Since then there have been few applications with as much widespread impact or importance, though email and web browsers are in that realm. Systems that have comparable impacts at the enterprise level are even scarcer. Some might argue that ERP fits that bill, but ERP is not universal enough for me. (I know, I know, I'll get emails: "Are you crazy?") There are many reasons for this scarcity, not the least of which are system complexity, closed architecture and a natural tendency toward function-specific systems.

But there is a new category of technology coming onto the scene now which truly has the potential to deliver the kind of business benefits that will make it one of that rare breed that has universal appeal and applicability. (Those of you who read my columns know that I'm a technology guy, but I'm also a bit of a technology heretic. So that statement may come as a bit of a surprise, but bear with me.)

I'm talking about Business Process Management (BPM) systems. I'm going to define BPM for you, but since it is truly an emerging category you will be reading many different definitions of it. This is because system vendors of all kinds are quickly repositioning their existing products to sound like they are BPM or vice versa, depending on what suits them. We lived through that with CRM, and it was a nightmare for buyers and ultimately for vendors, so let's hope history doesn't repeat itself with BPM. Now, since I'm not trying to position any software, I think my definition of BPM will be reasonably straight. Please feel free to disagree—I'd appreciate hearing from you.

BPM is a combination of technology and management practices that takes a process-centric approach to automating and managing business processes. This is in contrast to the technology- and data-centric approaches that are prevalent today. BPM doesn't replace your existing systems. Rather, it makes those systems work together where they haven't before, and it automates processes that were not previously practical to automate.

In my view, a system must have the following elements built in (not linked to) to be considered a true BPM system:

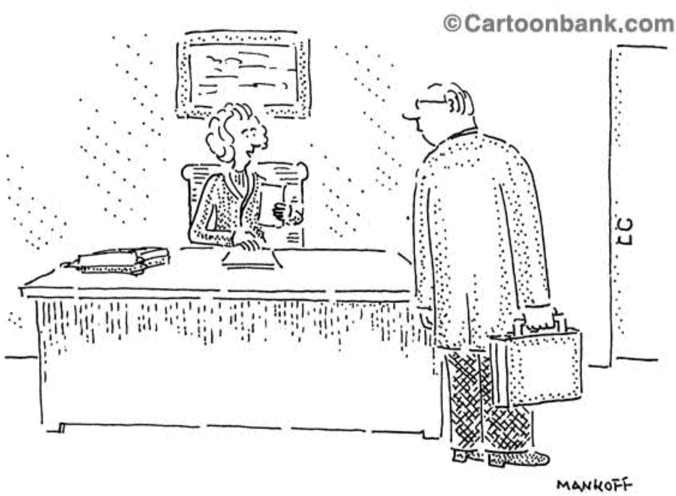
- Process modeling – an environment for describing processes both visually and with underlying data definitions, people roles, business rules, etc.
- Integration – a comprehensive system for tying together disparate legacy systems and allowing them to exchange data in a controlled manner.
- Process execution – a system for managing and "running" processes that have been modeled. This is not a simulation; it is real business logic executing against real data. This element incorporates user interfaces, workflow and process monitoring. (You might find yourself saying "no way," but I assure you it's real. I've seen it work.)
- Measurement and reporting – a facility for reporting all aspects of process performance including quality, time, costs, staffing, etc.

"BPM is a combination of technology and management practices that take a process-centric approach to automating and managing business processes."

BPM lets you start small but think big. Say for example you have an ugly but relatively small business process that has too much manual intervention and chronic quality problems, requires re-typing of data, takes too long and is supported by two or three legacy systems that aren't well integrated. BPM gives you the platform and the working environment to redesign the process, eliminate the retyping, tie together the systems and ratchet up the automation to minimize the manual intervention. Initially there is a degree of effort required to get this accomplished, but far less than would be required to build a new system. And once you have one process going, you can start to address other processes while leveraging the data definitions and roles you defined for the first one.

One thing that seasoned business users have learned over the years is that "you can't just slam in the technology." CRM is the poster child for this, and it holds true for any technology including BPM. To get the results, you'll have to commit to ongoing process improvement and to technology to achieve and maintain process excellence. BPM stands at the intersection of process and technology, and that is why it has the potential to be so beneficial.

My introduction here only scratches the surface on BPM. I'll bring you more from the front lines in next quarter's newsletter and on our web site at www.renolan.com. In the meantime, please drop me a line at rod_travers@renolan.com. I'd appreciate hearing your thoughts about BPM, and I'd be happy to answer your questions. ■



"Sir, the following paradigm shifts occurred while you were out."

SUGGESTED READING LIST

businessThink: Rules for Getting it Right—Now, and No Matter What!, by Dave Marcum, Steve Smith and Mahan Khalsa. For anyone looking to create winning strategies, leverage their talents, extend their circle of trust and take their companies into the zone of optimum performance.

Execution: The Discipline of Getting Things Done, by Larry Bossidy and Ram Charan. Closing the gap between vision and results in the workplace. (See book review on p. 25.)

First, Break All the Rules: What the World's Greatest Managers Do Differently, by Marcus Buckingham. A conglomeration of observations from more than 80,000 interviews conducted by Gallup during the past 25 years.

In the Company of Heroes: A True Story, by Michael J. Durant with Steven Hartov. A former U. S. Army helicopter pilot relates his experiences as a soldier and prisoner of war.

Leadership, by Rudolph W. Giuliani with Ken Kurson. The former mayor of New York discusses what it takes to be a leader and addresses subjects like the crime rate and 9/11.

Rethinking the Corporation, the Architecture of Change, by Robert Tomasko. Reveals a new way of looking at a company in three major steps (resizing, reshaping and rethinking) and provides mini-models and practical guidelines.

The Fifth Discipline: The Art & Practice of the Learning Organization, by Peter Senge. A blueprint for establishing a learning organization, that is, one where people create results and where new patterns of thinking are nurtured.

The Project Manager's MBA, by Dennis J. Cohen and Robert J. Graham. Filled with vital lessons for real-world situations, the Project Manager's MBA will quickly have project managers acting like entrepreneurs and thinking like CEOs. ■

BACK TO THE BASICS OF CREDIT COLLECTIONS

Rob Keene
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When was the last time your bank's collection department wrote this kind of letter to a past due customer?

> Dear Customer:
>
> You expect fairness from us, don't you? Our entire collection procedure has been based on courtesy and consideration. We have been willing to cooperate with you in every way. All, alas, to no avail. Now, our last message to you—sent in all fairness.
>
> Your account will be placed with a professional collection agency unless you pay it in full or make satisfactory arrangements within the next five days. Be fair to yourself—your immediate action will prevent serious trouble.
>
> Cordially yours,
> Your Bank Collection Department Representative

More years back than I wish to acknowledge, consumer collections involved a four-stage system designed for self-classification on the part of debtors:

1. **The Impersonal Routine Stage.** Being the first stage in the collection process, this stage begins after the expiration of some established initial credit period. The various impersonal statements used in this stage act as reminders of late payment for those debtors who are simply awaiting some notice that the account is overdue or have honestly overlooked making payment when due. These statements also target careless or procrastinating debtors and those who are temporarily financially embarrassed. The messages

in this stage usually involve the word “please” to provide a gentle nudge without giving the idea that the bank is seriously concerned over nonpayment.

2. **The Impersonal Appeals Stage.** In this stage the collection efforts are still impersonal in nature, but the message takes on a tone of concern (“Anything wrong?” or “Tell us your story”) that appeals to the pride of customers to take care of their credit responsibilities.
3. **The Personalized Appeals Stage.** The third stage of collections involves the use of direct appeals, like the letter above, on a highly personalized basis. These efforts tell the debtor that this is their last chance to resolve the matter before more drastic, or even legal, action is taken. Debtors force the bank into this stage for a number of reasons: they have overbought and may eventually become insolvents (some even resort to filing bankruptcy); they have met with some accident or misfortune; they are habitual frauds with no intent ever to pay; or they believe the amount owed is incorrect and dispute the bill as it now stands.
4. **Drastic or Legal Action Stage**. Prior to this stage, customer goodwill was carefully considered but now the gloves are off.

Fast forward to the present and read the following:

Dear Customer,

Did you overlook making last month’s car payment? Our records show that we have not received last month’s payment of $370.17. We would appreciate payment of this amount right away. If you have already made payment, we thank you. All of the charges must be paid each month to keep your account current and avoid collection activities.

Cordially yours,
Your Bank Collection Department Representative

In what collection stage do you suppose this was written? The answer is stage one (the Impersonal Routine Stage). Contrast the style with the stage three letter (the Personalized Appeals Stage) at the beginning of this article.

"Is customer retention a goal of your consumer collection process? Or is the goal limited to collection of past due amounts?"

Is customer retention a goal of your consumer collection process? Or is the goal limited to collection of past due amounts? Current collection models tell us that the faster we take firm action with past due customers, the more likely we are to collect what is due. But does firm action take into account the cost of alienating otherwise good customers that, like some in stage one, have honestly overlooked their payment due date?

If your answers to the above questions are no, yes and no, then consider redesigning your collections processes. Even if your write-offs are low, they are costing you too much.■

NOLAN EVENTS

September 29, 2003: NAII Information Technology Conference in Lake Buena Vista, Florida
Rod Travers, Nolan senior vice president of technology, will speak at this insurance industry event. He will discuss document and content management, encompassing imaging/workflow, new functionality and BPM.

October 26 – 28, 2003: TechDecisions Exposition & Conference (techDEC) in Seattle, Washington
Our client, American Express Assurance Company, will speak about changing the claims process to achieve results. The session will explore AMEX's new workflow and how it can accommodate future changes within the company such as new technology, new employee skill sets and integration to new processes.

SYSTEMS INTEGRATION RESULTS—IT IS ALL ABOUT MANAGING THE DETAILS

Robert Grasing
President

Those who have been involved in major process redesign projects know that it is good practice to conduct periodic meetings to update the initiative's strategic stakeholders on the status of the project.

Recently, at one such update meeting with a banking client, a question was raised that gets to the heart of why some banks are performing at outstanding levels and others at average levels. The question related to the systems selection and implementation options that enable the most ideal experience for the bank's retail deposit customers. The question was, "Once we select and acquire the software, why do we need specialized assistance to integrate the system with our business processes? Don't most of these software firms have integration consultants who can do the work as a complete package?"

Before I could answer, the bank's CIO said, "Because the software firms often want to implement it in a way that best fits their system." He added, "The focus can drift toward their technical knowledge of the software rather than the elements that will impact our customers and key contact people in our bank." This is an issue that we often face with clients and one that might demonstrate why banks with identical software often have dramatically different customer impacts.

Banks differ in the amount of assistance they enlist when redesigning processes and integrating them with new technology. Some utilize internal staff to manage the integration, and some utilize an operations consultancy such as Nolan to participate throughout implementation. Others rely on the software vendor to provide the process integration support, and still others will hire a separate integrator to manage the implementation. In all these scenarios, one thing is clear, especially in this era of major enterprise systems renewal: The further removed from implementation the people are who redesign the business processes, the more likely the end product will be different from what was intended.

Let's look at a hypothetical example of a bank that wants to implement staffing and scheduling software as one element of its service control. The choices that implementers face include automated data collection or manual collection; central or distributed control of staffing and scheduling; and work standards tailored to the individual branch or standards developed for the entire network. Another influencing factor is the use of renewable benchmarks based on what other banks average.

In this example, we'll stipulate the following: the staffing and scheduling design is intended to tailor work standards at the local level; the supporting systems will be actively used by individual branch management; and automated data collection will be used. With this branch-centric focus, the process-technology integration efforts require precision tailoring while maintaining consistency and best practices. A structured collaboration between process and technology experts will be essential to making sure that both enterprise and branch requirements are met in the final outcome. Unfortunately, when the focus drifts toward "getting the system installed," choices and compromises are made without realizing the impact they have on customers and bank staff. This is one reason why we see vastly different results from bank to bank using the same software as the backbone of their service delivery.

This year our Efficiency Ratio Benchmarking Study includes core systems definitions. This information will help participants understand whether specific systems or the implementation of those systems make the difference between top and average performers. Nine years of data from the study already show that the most successful organizations commit ample time and resources to designing and redesigning business processes. Ask yourself if your bank shows the same dedication to implementing those new designs, especially in regard to involving knowledgeable and effective sales managers, service managers and dedicated resources supporting the effort. If your self-assessment results in a "no," then what are your chances of performing well above average? ■

A Large Regional Health Plan: *Reducing Service Case Backlogs and Improving Customer Service*

Company Background

Our client, a large, regional health plan covers more than 3.5 million members. They were experiencing significant service problems because claims backlogs and extended cycle times were increasing call volumes. In addition, service case backlogs reached nearly 60,000 and although senior management addressed the claims issues, they did not recognize the buildup of service case backlogs.

The health plan was under pressure to maintain service levels in order to avoid paying penalties to their large group customers. They placed most available staff on the phones, but this only worsened the service case backlog problems and increased overtime costs.

The Claims Environment

The health plan sought the help of the Robert E. Nolan Company to improve customer service and reduce costs. During the initial analysis, Nolan concluded that implementing change in an environment of persistent backlogs would be extremely difficult. The backlog had increased call volumes, complicated workflow and created the need for overtime.

Telephone service representatives averaged 50 open cases each, and correspondence representatives averaged more than 200. Customer Service Representatives (CSRs) handled approximately 50 calls per day, of which six percent could not be closed on contact. This resulted in three new cases per CSR each day. The phone staffing models only allowed one hour per day for handling the three new cases, and did not factor in how to manage the 50 backlogged cases.

Claims Backlog Reduction

Nolan consultants developed a service recovery plan and the management team quickly approved it. The plan was to remove nearly all of the backlogged cases from the CSRs and assign them to a backlog reduction team. This action created a no-inventory environment for the CSRs so they didn't have to deal with the backlog, and the focus could move towards implementing service improvements.

CSRs were given a new set of expectations and performance metrics. They were expected to handle 50 calls per day, create on average three new cases per day and keep their backlog inventory to 10–15 cases.

Supervisory Role Changes

Before the redesign, supervisors spent nearly 85 percent of their time on production work and reporting. This allowed little time for direct supervising.

The redesign eliminated many reports and automated others. New reports were developed that identified schedule adherence, availability, case creation rate, case inventory and aging by CSR, supervisor and manager.

With more time to supervise and a renewed emphasis on basic call center management, supervisors and managers could review data, identify non-performing staff and work with them to improve performance.

Results

Within five months the plan realized the following results:

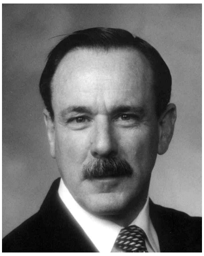
- The backlog was eliminated.
- Case inventories were maintained at acceptable levels.
- Status inquiries decreased.
- Schedule adherence and availability percentages were at or above targeted levels.

In addition, the department initiated processing improvements. CSRs were trained and empowered to handle more transactions so that handoffs and call times could be reduced. Correspondence and case workflow were streamlined.

The health plan achieved $3.6 million in annualized savings and an 80 percent improvement in the average speed of answer and abandon rate.

With the renewed emphasis on key metrics and call center management fundamentals in place, they are on track for continued success. ■

Fred the Cat, Labels and Finding the Right Problem to Solve



Merit Smith
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My son brought a cat home one afternoon. We named him Fred, and he became yet another rescued cat at the Smith house. Fred doesn't fit in with the other cats. He is about a quarter bigger than the others. He has a large head that is oddly square with distinctive markings. And he doesn't act like the other cats; he acts almost like a dog.

On the red eye from Denver to Dulles, I was reading *American Scientist* in a desperate attempt to get some sleep. I turned the page, and there was Fred looking at me—right there in the middle of an article about hybridization and inbreeding. Turns out that the European wildcat (*Felis silvestris*) has cross-bred extensively with the domestic cat (*Felis cattus*). Fred the cat just might not be Fred the cat. We took Fred to a vet school feline lab and found out that he's a feline of sorts, but he's not a cat.

This newfound knowledge seems to cause a subtle difference in the way we think about Fred. When we changed his label from Fred the cat to Fred the feline, we seemed to treat him differently.

Words, even simple ones like "cat," have meaning. And the most powerful of words are labels. Here's what I've learned about labels and their relation to work.

- Labels exist because we need simple and quick ways to talk about complex things. That's their power and usefulness. But sometimes they are just too simple and too quick, and they badly confuse the situation.
- Labels shape our thinking. That's the whole point of the story of Fred the cat. But we see this effect often in our work, like the time a claims backlog problem turns out to really be a provider contracting backlog. Or when a data quality problem turns out to be nearly invisible differences

in report logic that take perfectly good data and turn it into reports that can't be relied on but can be argued about.

- Be careful about using labels. Once a person understands the power of labels, he or she almost always begins to use them more carefully, almost more respectfully. When trying to solve a problem that involves labels, you should follow two rules. First, you should delay or reduce the use of labels. By reducing the amount we let ourselves use labels, we may see the problems more clearly and open up better solutions. The second rule involves using labels that make a distinction between cause and effect. Be very careful about using labels that suggest a cause; there's a good chance of being wrong. For example, rather than saying "the data quality problem," we might be wiser to talk about "the problem with the reports." We know where the problem is physically appearing—on the reports—but we don't safely yet know that it's related to data quality.

> *"Labels exist because we need simple and quick ways to talk about complex things. That's their power and usefulness. But sometimes they are just too simple and too quick, and they badly confuse the situation."*

Labels, like cats, are everywhere. We can't avoid labels, but we can understand and use them to help find and solve problems. ■

YOUR BILLING PRACTICES SAY VOLUMES ABOUT YOUR HEALTH PLAN

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Over the years I have had lots of opportunities to meet with health care providers, administrators and patients about issues that are most critical in the management and delivery of their care. All of the things that you would normally think of quickly come to the surface: physician skill and experience, personal choice, accessibility, availability of specialized care and—oh yeah—cost. These are the things that we continually think, discuss and worry about, as well as spend our time and resources trying to improve.

I recently worked with a client who was having profitability "issues." Revenues and growth showed flat to intermittent improvement. Admin expenses were improving. Medical expense—ouch—like everyone else in the industry. As we teased out the issues, an area that continued to surface was the process for billing customers and managing payments and receivables.

I decided to employ a unique technique in the industry: talk to the customer. I met with several benefits administrators in an attempt to understand their issues and their relative importance. This was enlightening.

I realized that their impression of the competency of the health plan was largely based on the bill they received each month. In other words, benefit administrators believe that if the health plan can't get a simple bill correct, then how can they even begin to expect the health plan to effectively manage their health care, or the health care of their co-workers? Most of us in the industry see the functions of billing and care management as totally separate, but to the customer they are much related.

Benefits administrators can be very vocal. What are the ones in your client organizations saying about you? Maybe it's time to think about the image that your bill is projecting about your health plan. ■

THE CHANGING OF THE CULTURE

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Over the past few years, companies have downsized, right-sized, slashed and burned to reduce personnel expenses. Reducing the number of people has cut line item expenses, but in many cases it has also diminished productivity. Some companies are operating today at bare-bones levels, keeping a tight rein on the number of employees on staff to maintain lean operations.

In many cases, the workers remaining after staff reductions are expected to produce at a volume and quality comparable to levels achieved with larger staffs. This has been a strain in some organizations, causing some people to look for the first opportunity to leave for greener pastures.

There is possibly another challenge on the horizon that will place new demands on corporate leaders. Corporate culture is hard to maintain when employees are leaving, and the remaining employees are surrounded by mixed messages from management. The problem is that those employees, along with their leaders, are the "Keepers of the Culture." Ethics, empowerment, communications, urgency, innovation, service and a range of other issues are important aspects of the culture—that's what makes one company different from another.

As the economy improves, employers will hire again to build their human resource strength. Some of the positions will be filled by returning employees, while other employees will be new to the organization and will need to learn—or recreate—the culture. The new employees will be different from the people who left and those who remained. Some may be more entrepreneurial. Others will be accustomed to a different compensation/reward structure or have more expertise. They may be more comfortable with a matrix organization or less hierarchy. These are the kinds of challenges that can have an impact on a company's culture. I've observed first-hand how changing a group of employees can totally alter the culture of an organization—and drive customers away who were used to the way things "used to be."

Leaders should anticipate conflict between these various groups of employees. The mission of the senior executives should be to clearly define the desired culture, then communicate that culture effectively to all members of their team. Managers who start to think about this now will be more aware and sensitive to the possibility of this conflict taking place in their organization. ■

NOLAN MEDIA

***Health Data Management*, June issue**

Merit Smith, Nolan vice president and director of the health care practice, is quoted in the article "IT Part of Payers' New Game Plans" by Joe Goedert. www.healthdatamanagement.com

LOMA *Resource*, June issue

Dennis Sullivan, Nolan CEO, is quoted in the article "High-Tech and High-Touch: A Winning Combination" by Stephen Hall. www.loma.org

***TechDecisions*, July issue, and *National Underwriter L/H and P/C*, July 14 issues**

The results from Nolan's technology study (see p. 3) are reported in the article "Study Findings: Technology Effort Underestimated, Effectiveness Varies" by Eugene Reagan, Rod Travers and Ron Zimmer.

EXECUTION: THE DISCIPLINE OF GETTING THINGS DONE

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"Execution: The Discipline of Getting Things Done," by Larry Bossidy and Ram Charan, contains both practical and philosophical insights on how to create an execution-based organization focused on achieving results. The book provides good ideas as well as poignant examples of companies that have either failed or been successful due to the amount of attention and focus of its leaders on execution.

The book discusses three core processes that are the main drivers for every organization. They are the people process, the strategy process and the operations process. Execution links the three together to get effective results. The authors emphasize that execution is not just tactics—it is a discipline and a system.

The authors discuss the gap between what a company's leaders want to achieve and the ability of their organization to achieve it. They emphasize that the ability to close that gap will break down when leaders can't convert the lofty strategy and thinking into concrete steps (execution). Without that execution, breakthrough thinking breaks down, learning adds no value, people don't meet their stretch goals and change stops dead. Execution is a systematic process of rigorously discussing the hows and whats, questioning, tenaciously following through and ensuring accountability.

The authors point out that the three processes are enmeshed. Strategy takes account of people and operational realities. People are chosen and promoted in light of strategic and operational plans. Operations are linked to strategic goals and people capacities. Key characteristics of successful execution are that the leader and his or her team are deeply engaged in all of the processes and that they are the owners.

The authors highlight three building blocks that a leader needs to create an environment for execution:

1. A leader needs to exhibit the following behaviors in the organization: a. Know your people and your business; b. Insist on realism; c. Set clear goals and priorities; d. Follow through; e. Reward the doers; f. Expand people's capabilities; and, g. Know yourself.
2. Create a framework for cultural change. Here the emphasis is on making the day-to-day operation of the company action oriented. Behaviors will turn beliefs into action. You must then link rewards to performance and make sure that the right people-environment is functioning. This open culture can bring robust dialogue that's focused on truth, but it must start at the top.
3. Have the right people in the right place. "People are the most important asset" is a motto of many, but is practiced by few. Right people and the right focus will equal great results. When leaders are not willing to make the tough decisions that are necessary to remove the wrong people, the whole organization suffers with a lack of execution. When the wrong people get rewarded, the whole organization loses. Problems don't get fixed, non-performers get ahead and good performers start looking for jobs at places where their contributions will be recognized.

The remaining chapters deal with the three processes in some detail. The people process affirms that people are more important than the strategy or operations processes. As a result, it is critical to make sure the people are linked heavily in strategy and operations and that time is taken to develop a pipeline of leadership through intense review. It is also important to deal quickly with non-performers, link Human Resources functions to business results and have candid and open dialogue about performance.

The strategy process is important to the organization for its ability to create a sustainable competitive advantage for its products. Strategy allows proper resource allocations, and it needs to be owned by the people who execute it (the line people). The more people that are involved in and understand the strategy, the higher the rate of successful execution.

The operational process provides the path for the people to execute effective results over the next year. It includes the operating budgets, and it provides the synchronization of the organization so the moving parts work together. It also needs realistic goals based on valid assumptions and room for contingency planning. The core, again, is the people being involved and owning the plan. If that happens, execution will follow.

> *"When the wrong people get rewarded, the whole organization loses. Problems don't get fixed, non-performers get ahead and good performers start looking for jobs at places where their contributions will be recognized."*

A chapter is spent discussing the strategy review sessions that test and flesh out the final strategies adopted by the company. Honesty, frankness and realism are needed for a successful session.

Overall, "Execution: The Discipline of Getting Things Done" provides some practical and philosophical insights into creating a culture built upon execution. ■