FIRST QUARTER 2015 / VOLUME 42 / NUMBER 1

The Nolan Newsletter

MANAGEMENT PERSPECTIVES

HIGHLIGHTS IN THIS ISSUE

NOLAN
Management Consultants

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Through *The Nolan Newsletter* we share experience-based perspectives and advice about business issues faced by leaders in the industries we serve.

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NOLAN

MANAGEMENT CONSULTANTS

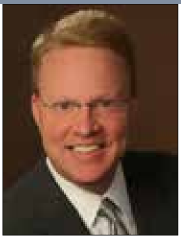
FIRST QUARTER 2015 / VOLUME 42 / NUMBER 1

The Nolan Newsletter

MANAGEMENT PERSPECTIVES

ROD TRAVERS / EXECUTIVE VICE PRESIDENT / rod_travers@renolan.com

HANDS ON



During a recent business trip to New York City, I found myself looking for a Starbucks on a surprisingly peaceful Saturday morning. Of course, I had my choice of four Starbucks within a two-block radius. I chose one at random and found a few patrons there enjoying a quiet morning.

I'm not very familiar with the breakfast options at Starbucks but, this day, I decided to try one. As I was perusing the display case, the person in line behind me said rather helpfully, "I would be happy to describe the breakfast offerings if you like. I work for Starbucks." He kindly described the options with remarkable precision. Before long, I was enjoying a light breakfast and coffee.

Then I noticed the same helpful gentleman was seated across the room enjoying a coffee, but he was also keenly observing the store. He took a moment to tidy up the "cream and sugar" station and arrange a few chairs, and very nicely asked the employee behind the counter to attend to a few things. A few moments later he came over and introduced himself to me. "Thank you for choosing Starbucks this morning. I hope you are enjoying everything. By the way, I'm Cliff Burrows, Group President of Starbucks. Nice meeting you."

Looking back on this brief encounter, I realized that Cliff (I can call him that now, can't I?) had just given a demonstration on customer relations, leadership, and management style all at once. Despite his very senior role at Starbucks, he was current on front-line details, and he was genuine:

- He was focused on a result: a good customer experience
- He knew product specifics and he used brand language: "Hearty," "Light," "Savory"
- He led by example

In short, he was hands-on in a positive way. How many of us are that well prepared, especially with subtle but important details? I know I have some work to do in that department.

No matter what business you're in, results are vitally important, especially when customers are at stake. In this *Nolan Newsletter*, my colleagues share ideas for achieving results in IT, operations, and overall leadership. Enjoy!

GERALD SHIELDS / IT PRACTICE DIRECTOR / gerald_shields@renolan.com

MEGA-PROJECTS CAN BE MASSIVE PROBLEMS

As a CIO, I deliberately avoided multi-year projects. But when a mega-project was inevitable, I worked to make it painless.

I'm amazed at how often my peers boast about the "huge" projects they're managing. After all, I've always done everything in my power to keep from taking on multi-year "death marches" that could stop things down to the point of putting the business at risk. Instead, I tried to practice fiscal fitness every day — rather than realize too late that it was time to do something about those nagging symptoms. Yet, despite the best strategy and planning, big projects are sometimes inevitable.

A number of principles hold true for large, multi-year projects:

- **Big projects are riskier.** According to The Standish Group's 2013 "Chaos Manifest," very few large projects perform well under the triple constraints of cost, time, and scope. While small projects are more than 70% likely to succeed, large projects have virtually no chance of coming in on time, on budget, or within scope. Plus, a large project is more than ten times as likely to fail outright — meaning it will be canceled or it will be obsolete before it launches.
  Bottom line: The bigger the project, the less likely it is to succeed.
- **More scope means less control.** Consider the "Big Dig": the relocation of 3.5 miles of interstate in downtown Boston, Massachusetts. The mega-project was supposed to last about seven years at a cost of $2.8 billion. Instead, it became the most expensive highway project in U.S. history — taking more than 15 years to complete, with a cost overrun of more than 190% (before adjusting for inflation). Some projections estimate that the project will ultimately cost $22 billion.
- **Who's in charge?** By the time a project delivers, it's more than likely that its original advocates have moved on. In those cases, leadership often questions the need for the project in the first place — and then focuses on the features and functionality that "should have been included." This sets up the organization for morale issues as a reluctant user base struggles to adopt the new system.
- **Change is hard.** Fear of change often drives businesses to push back deadlines, add unnecessary functionality, or relax when they should be making their final push.

WHILE SMALL PROJECTS ARE MORE THAN 70% LIKELY TO SUCCEED, LARGE PROJECTS HAVE VIRTUALLY NO CHANCE OF COMING IN ON TIME, ON BUDGET, OR WITHIN SCOPE.

In spite of the risks, there are times when major, long-term projects are not only inevitable, but also practical. In my experience, there are things businesses can do to avoid pitfalls and increase their chances of success:

- **Stay agile.** Many large projects can be broken up into smaller pieces that are easier to manage. Still, businesses sometimes fail to see the benefit of creating incremental landing points. Other times, organizations buy into the fallacy that they have to invest in an entire project all at once. Either way, these companies can fail to realize value throughout the project — and miss opportunities to adjust the long-term plan as the business climate changes.
- **Stay accountable.** Project managers often fail to set real business goals for a project. And it's even more rare for leadership to hold teams accountable. I was involved in a large project during which the COO met with IT and business area leaders to list the expected improvements, cost savings, and new capabilities. The team committed to hard goals: a 20% reduction here; a 15% reduction there; and 15 fewer days-to-market for new products. Once the program launched, we had 12 months to deliver. If we failed, we were expected to find the returns somewhere — even from bonuses.
- **Staff smarter.** All too frequently, organizations staff projects with those who are available and not with the right talent for the job.
- **Observe the 80/20 rule.** It is generally accepted that 80% of users use only 20% of an application's features — and about 20% of its functionality produces 80% of the value. Assuming this is true, seek to deliver feature-rich functionality — but focus on added value over bells and whistles.
- **Double up.** Appoint two leaders to each major project — one from the business side and one from IT — and give them equal authority and influence. The entire team must see the pair as true partners who must "sink or swim" to deliver a full-featured product on time and on budget.

The bigger the project, the harder teams have to work to manage it. So when an organization takes on a mega-project, leadership must set clear objectives — and stakeholders must deliver incremental value. That way, the business can avoid the risk of delivering a product that's out of date before it goes live.

The most successful initiatives are those that effectively balance scope, budget, and timelines — all while advancing the business and adding measurable value. But the key to preventing system-wide mega-projects in the first place is maintaining stability in day-to-day operations. When leadership can focus on strategic objectives, and business units can work to move the organization forward in manageable increments, the business will see the progress it needs without having to blow things up and rebuild.

CONFERENCE NEWS

PCI Executive Roundtable

Nolan is proud to be a sponsor of PCI's annual Executive Roundtable. Nolan hosted a cocktail reception and sponsored two drawings which included a donation of $500 to each of the winner's designated charities. Nolan Chairman & CEO, Dennis Sullivan, and Executive Vice President, Steve Discher, were pleased to present the prizes this year to Martin Welch, Chief Executive Officer at Hawaii Employers Mutual Insurance Company, and Brad Roeber, Chief Operating Officer at Meemic Insurance Company. The Nolan Company made donations on behalf of Martin to The Arthritis Foundation of Hawaii and on behalf of Brad to Lighthouse of Oakland County.

Congratulations to both our winners of this year's drawings.

Brad Roeber
Chief Operating Officer
Meemic Insurance Company

Martin Welch
Chief Executive Officer
Hawaii Employers Mutual Ins. Co.

Lighthouse of Oakland County

www.lighthouseoakland.org/

ARTHRITIS FOUNDATION® Take Control. We Can Help.™

www.arthritis.org/hawaii/

Nolan Sponsoring Peyton Manning Keynote Presentation

Nolan is honored to sponsor this year's keynote presentation to be given by Denver Broncos quarterback, Peyton Manning. In addition, Nolan is a sponsor of the Chief Operating Officer Roundtable, and Nolan consultants will present at several sessions as follows:

Monday, June 8 - 1:00 PM
Nolan is a sponsor of the 2015 Chief Operating Officer Roundtable
Nolan Executive Vice President, Rod Travers, is Program Chair

Tuesday, June 9 - 3:30 PM
Transformers - Bigger Benefits from Core System Implementation (Session 671)
Moderator: Steve Murphy, Nolan Principal Consultant

Wednesday, June 10 - 9:45 AM
IT Town Hall (Session 771)
Moderator: Rod Travers, Nolan Executive Vice President

Visit www.iasa.org for more information about the 2015 IASA Annual Conference.

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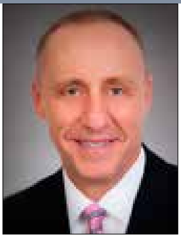
MIKE MEYER / PRINCIPAL CONSULTANT / mike_meyer@renolan.com

TAKE BACK YOUR COMMUNITY BANK



As the consolidation trend continues among larger financial institutions, smaller local and regional banks are finding it harder and harder to remain profitable. Here's how community bankers can win clients over with a simpler, more personal style of banking.

Community and smaller regional banks face more challenges and threats than ever. Deposits have declined, and competition for customers and revenue streams is especially fierce. At the same time, new regulatory requirements have put an additional strain on already diminished resources.

Even customers themselves are changing. Recent data predicts that for the next several years, Baby Boomers will begin turning 65 at the rate of 10,000 per day. Among other things, this will decrease demand for products like mortgages, loans, and credit cards. Meanwhile, younger customers may begin moving away from rural communities to pursue opportunities in metropolitan areas — and their bank accounts may move with them.

Another challenge is that larger financial institutions are able to invest significantly in technology and innovation. These banks can commit resources to speed, mobility, access, and other customer conveniences through their products and distribution channels. In taking more products and services online, bigger banks are driving down the number of in-branch transactions. That means they're also creating a generation of customers who see little or no need to visit a brick-and-mortar bank.

The good news is that these trends don't necessarily spell doom for community and smaller regional banks. The Nolan Company's latest Bank Performance Survey shows that Efficiency Ratios (ERs) for community banks have essentially remained flat for the past few years — which indicates that there is room for improvement.

While big banks with access to working capital appear to be investing in technology to drive convenience, they may be losing sight of fundamental consumer drivers like trust, confidence, and stability. If they focus too much on quick, impersonal transactions and "one size fits all" products, large financial institutions run the risk of creating a commodity marketplace — one in which relationships are

THE MARKETPLACE IS CHANGING. TAKE TIME TO RECOGNIZE THE TRENDS AND HOW THEY AFFECT YOUR PEOPLE, PROCESS, AND TECHNOLOGY STRATEGIES.

marginalized, and where there's no room for trust or loyalty.

This is where smaller banks can play to their strengths — by maintaining existing long-term relationships, fostering new ones with younger generations within the same families, and providing truly personalized service. However, that's only part of the solution. Community banks need to allocate resources to business processes, products, and services that drive customer relationships and retention.

Given everything that's happening in the banking industry, there has never been a better time for smaller banks to strategize, prioritize, and mobilize to stay competitive. In this opportunity also lies a challenge: Community banks must be willing to re-think their business models with an eye toward identifying, understanding, and responding to the right customers.

By embracing and applying some fundamental concepts, community banks can create value, brand equity, and loyalty among people searching for a different kind of banking experience.

Start with a Remodel

Adapting to changing industry conditions and consumer trends takes stepping back and thinking strategically — and even rethinking the business model. Resist the temptation to "keep up" with the bigger banks. Instead, look for opportunities to carve niches and create competitive advantages.

- **Think Deeper, not Broader**
  In our experience some branches can create a significant drain on profitability. Rather than thinking about opening more branches, think about what you want your current branches to be.
- **Cross-train Your People**
  Commit to developing "universal tellers" who can perform multiple functions that create opportunities for relationship building.
- **Invest in Baseline Technology**
  Rather than staffing up or building branches, use available capital toward simple online capabilities that satisfy minimum customer expectations and automate basic transactions.
- **Understand Your Efficiency Ratio**
  Drill down and evaluate lines of business, functions, and product groups to get a clearer picture of the factors that directly affect efficiency.

Build a Bigger Image

When it comes to community involvement and presence, smaller banks have a big advantage. Any big bank can buy a billboard or hang a banner at a construction site. Community banks can sponsor little league teams, invest in technology for schools, and help small businesses in more tangible ways than simply underwriting

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EFFICIENCY RATIOS FOR COMMUNITY BANKS HAVE ESSENTIALLY REMAINED FLAT FOR THE PAST FEW YEARS — WHICH INDICATES THAT THERE IS ROOM FOR IMPROVEMENT.

loans. When the leaders and employees of a small bank are visible and active in their communities, they create more brand equity than a big bank can buy through advertising.

Work Backward

Review business processes in reverse — starting with the ideal customer experience. Once you've defined the goal, design and modify your operations to help create a better customer environment.

Think Young

The marketplace is changing. Take time to recognize the trends and how they affect your people, process, and technology strategies. As demographics and expectations evolve, think about how your products and services can adapt.

Continue to nurture long-term relationships — and look ahead for opportunities to serve younger family members.

Be a Tech Follower

Don't react to perceived pressures to keep pace with technology. Instead, let the bigger banks invest in new tools, and then wait until they've worked out the bugs. Then, you can take advantage of select "off-the-shelf" solutions that make sense for your customers.

Bring Back Personal Banking

Focus on customers who value face-to-face relationships, and give them incentives and rewards for interacting. Play up local decision-making and relationship-based lending. Take a creative approach to product development that can drive new revenue sources and counteract declining deposits. And create a warm, welcoming environment that sets your business apart from the cold, transactional retail banks.

Progressive community banks are focused on their efficiency ratios. They're staying lean and keeping ahead of negative trends that can affect performance. Strategically, bank leaders are evaluating the profitability of each branch and adapting service and customer experience models to build loyalty. At the same time, they're giving staff members more local authority — and training them to serve as "universal tellers" who can perform multiple functions in response to emerging customer expectations.

Small banks are facing some rather big challenges. But those obstacles are not insurmountable. By thinking strategically and working smarter, community and regional banks can grow and thrive for years to come.

For a copy of our Bank Performance Study, please contact me at mike_meyer@renolan.com or visit www.renolan.com.

HAPPENINGS AT NOLAN

We are pleased to introduce a new member of the Nolan team and the appointment of a practice director within our healthcare practice.

Congratulations to Lisa Winternheimer on her appointment to Practice Director, Healthcare.

Lisa joined Nolan in 2013 as a Principal Consultant, and defined and assumed leadership of Nolan's Healthcare Value practice in 2014. With more than 25 years of experience in leadership roles, Lisa's diverse healthcare industry experience spans Medicaid, Medicare, uninsured, Federally Qualified Health Centers, Primary Care Centers, Primary Care Associations, case management, disease management, and quality management. Congratulations Lisa!

Contact Information:
Lisa Winternheimer, Practice Director
lisa_winternheimer@renolan.com

Tim Lauer has joined The Nolan Company as a Principal Consultant in our Healthcare practice. Tim has more than 30 years of experience as a financial and operations executive working in the healthcare industry. Tim is a CPA skilled in information systems management, back office operations, financial analysis, analytics, contract negotiations, product development, and business combinations.

Prior to joining Nolan, Tim served in senior leadership roles including Chief Financial Officer at Molina Healthcare, and Chief Financial Officer and Chief Operating Officer at HealthSpring USA. Welcome Tim!

Contact Information:
Tim Lauer, Principal Consultant
tim_lauer@renolan.com

LIZ HAAR, PRESIDENT & CEO ACCIDENT FUND HOLDINGS, INC.

This interview is the latest in a series spanning more than 20 years conducted by Nolan for the Insurance Accounting and Systems Association (IASA). This interview was conducted by Dennis Sullivan, Chairman and Chief Executive Officer, and Steve Discher, Executive Vice President, of The Nolan Company. This material is excerpted from the full interview which appeared in the IASA Interpreter.

SULLIVAN: Liz, thank you for taking the time to participate in this interview series. Could you provide our readers with the history and key points for Accident Fund Holdings?

Liz Haar, President & CEO
Accident Fund Holdings, Inc

HAAR: Accident Fund is a 100-year-old-plus company, and we celebrated our centennial anniversary in 2012. We are also celebrating another milestone this year, the 20th anniversary of privatization. Up through the mid-'90s, we were the original state fund in Michigan until our purchase by Blue Cross Blue Shield of Michigan. Since this privatization, our company has undergone significant transformation. We learned how to operate effectively in the competitive marketplace as a privately held company — which, as you can imagine, was markedly different than as a state fund. We also became very focused on diversification and growth.

In 2000 our company started expanding outside the state of Michigan. While we are now licensed in all 50 states, we are focused primarily on 20 core states. Our first acquisition was United Heartland, a specialty writer of larger accounts, in 2005. We then acquired CompWest Insurance in California in 2007, and in 2010 we created a start-up division, Third Coast Underwriters, which specializes in larger, more complex risks.

Today our organization looks very different than 20 years ago. We have a holding company, Accident Fund Holdings, which provides corporate services and four brands that execute our field operations. Each brand has its own unique market focus, which allows us to benefit from their individual focus in their respective markets. At the same time, we benefit from our collective strength as one of the largest writers of work comp in the country. As an enterprise, we gain the scale, efficiencies, and innovations that smaller companies cannot achieve.

SULLIVAN: From when you started in the industry at Michigan Millers to where you are now, what are some of the big things that have changed and transformed the insurance industry?

HAAR: One of the biggest transformations reaches beyond our industry — namely the change in investment income and what that means for insurance carriers from an underwriting perspective. If you go back 15 years and look at what was good underwriting for a work comp writer, it's very different than what good underwriting is today. In addition to underwriting targets being more aggressive, data analytics, tools, processes, and technology have all transformed the underwriting process. I also think changes on the medical side are significant. Even a decade ago, work comp medical did not drive anything in a physician's office or in a hospital system. Today there has been a huge shift — both in our organization and in the industry — focusing on ensuring the best medical outcomes for injured workers. This is very different from ensuring the best medical outcomes on a group health side. It requires a different relationship with physicians and with the injured workers. It utilizes different tools. It is a different way to look at things, and it has been a huge advancement in our industry.

DISCHER: Can you talk about the organization and what makes things different — from a culture, results, and long-term perspective? What is it like going from being a state fund to a private, very diverse, nationally known entity?

HAAR: We have made Business Insurance's Best Places to Work in Insurance for six years for a reason. We do things differently here, and we hear it frequently when people join our organization — they can feel a difference in the culture. We focus on attracting top talent from across the country, and we emphasize having a work environment that is collaborative because the bottom line is we want our team to be engaged. We know if our employees are happy at work, they'll provide a better product and a better service to our customers.

We also have a strong focus on our agency partnerships, and we have earned a number of awards recognizing this. As an example, this year we were named as one of the Top 10 P/C Carriers in "ease of doing business" by Deep Customer Connections in their nationwide survey of more than 7,000 agents. We are very proud of this, particularly because we were the only monoline company to be recognized by this prestigious group — who represent specialists in insurance carrier/agent research and consulting.

We understand that we cannot sell our products if we do not have agencies who

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WE DO THINGS DIFFERENTLY HERE, AND WE HEAR IT FREQUENTLY WHEN PEOPLE JOIN OUR ORGANIZATION—THEY CAN FEEL A DIFFERENCE IN THE CULTURE.

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want to do business with us. To accomplish this, we build collaboration into everything we do with our agent partners. We listen to them when they have suggestions to learn ways we can do something different or better. We work toward their success; because if they are not successful, we are not going to be successful. We also focus on innovation. We try to ignore the way things have been done for the last 30 years and ask, "If we were starting a company from scratch, what would be the best way to do it?" When you think about many of the changes that have occurred in our industry in the last two decades, many of them have focused on changing the way things were done 40 or 50 years ago.

For example, when we created our first online system in 2000, it wasn't just a system that we were creating, it was a process. And most of the processes that existed were created in the '50s before computers, with everyone using big yellow sheets of paper and pencils and doing things a certain way.

Then computers came along, and what did people do? They used them to automate the manual processes that previously existed. So one of the things we do is look at all of the new technology and ask, "How can we be innovative and find a way that makes sense for the tools that we have today?" This type of questioning is where a lot of our innovation comes from.

SULLIVAN: One of the things you touched on is how worker's comp has changed, especially when competing on a national level. With both your actuarial background and the change in the competitive nature of worker's comp, what made you so successful when you expanded outside of that single state writer?

HAAR: One of the keys has been understanding the markets we are expanding into. I have seen other companies say, "We're going to move into Texas and run it from Lansing, Michigan." That rarely works. Our model is to assemble a team that has worked in Texas, has agency relationships in Texas, with adjusters who know the hospital system in Texas, and loss prevention consultants who know the risks in Texas. We build with local expertise because there are very distinct regional differences all across the country.

We also have the advantage of being experts in work comp. It's something we drink and sleep all day, every day. And there are some innovative products that we have developed over the last couple of years — especially on the medical side — that smaller companies, or a company that only has a portion of their book in work comp, would not have the financial resources to invest in. These are important when you expand.

SULLIVAN: You talked about the culture and how people like working here and feeling part of the community. A lot of that comes from the leadership in an organization. If I talked to your senior leadership team and asked, "What kind of leader is Liz?" how would they describe your management style and leadership style?

HAAR: Most people would probably say that everybody knows what I am thinking. I really do not hold back. I think that is a good thing, and it is something that I expect from everybody who works with me. I've said, and really believe, that if I do not know your opinion, then I should not have to pay you. Regardless of whether your opinion matches mine or is opposite of mine, or matches your coworker or is opposite of your coworker, we are only going to get to the best decisions if we get all of those ideas and opinions out on the table. That is where the best innovation comes from.

At the end of the day, however, you also have to have a clear decision-making process. I have been in environments that were highly collaborative and focused on idea sharing, but we could never reach a decision. Then I have seen command and control environments where the only ideas brought forward were ones people knew the CEO was going to agree with. Both environments are equally unhealthy. We try hard to be in that middle ground where you are here because of your expertise. You are here to be bringing ideas and opinions to the table. You are here to help shape the way we do things, but we cannot have 1,100 people making every decision. For everything there has to be either one or just a few decision makers who are hearing the information and then using it to make the best choices for us going forward. I also believe that we are not going to be right every time. Make decisions for the best reasons and have the best analysis behind you, and then execute, watch, and monitor. If you were wrong, admit it and fix it.

I have been here now for 17 years, coming up through actuarial, working on the strategic development of our national expansion, and then leading the business development area before I became CEO. As a result, I have been fortunate to lead many teams in creating things. And there are times people will approach me and say, "There's a better way to do things." They're often hesitant because they know that at some point I had a hand in creating it. But I actually think that is a great thing. Everything that has been done at some point can be done better, and we need to be open minded without an emotional connection.

The fun thing about our business is you might create something today and it might be great for today, but in two years there is going to be something better. If you get too emotionally connected to it, then you are not going to move the company forward.

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SULLIVAN: I look at all of our clients, and there are a significant amount of women who are at the executive level, but not so many at the CEO level. So, how do you attract the top talent and maybe a subset of that as female CEOs? What is your message to that young MBA student coming out of school? How do you say this is an exciting industry to be in?

HAAR: First of all, insurance is an exciting industry to be in. At Accident Fund we focus on recruiting both younger talent and seasoned executives. Very few people my age chose the insurance industry purposely — I fell into it by accident. But that does not work these days when there is such tough competition for young, qualified talent. So, we are intentionally working to increase our reach into colleges, universities, and even at the high school level. We work with the Griffith Foundation and The Institutes to get young people interested and knowledgeable about our industry. We also work with Michigan State University and Olivet College here in Michigan, and we have deliberately expanded our reach to colleges and universities across the country.

There is a high demand right now for people with strong data analytics backgrounds, whether it is in predictive modeling or actuarial or even general data analytics. Information Technology roles are tough to recruit because there is such high demand. So, we have specific recruiting efforts that go after these types of individuals through a strong internship program. We have also partnered with local high schools to try and get kids to understand that insurance is not just a group of individuals sitting in a back room crunching numbers, and it is not just about selling it either. There are many types of careers available in the insurance industry, and it is an exciting place to be.

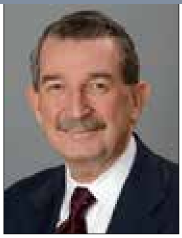
We are also very focused on building the diversity of our workforce. I mentioned earlier that we pay people to share their opinions — but this does not work if everyone has the exact same opinion. To have diversity of thought, we must have a diverse workforce. In fact, this is so important that we have incorporated diversity and inclusion strategies across our organization to create this environment.

As for women, I read something not too long ago that only 6% of insurance company CFOs, CEOs, and board members were female. I am optimistic that will change over time. It is not going to change because of mandates or quotas, but rather because companies will realize that diversity in leadership is good for their organization. Gender diversity is good now at most levels of insurance companies, especially compared to when I first started working. But at top leadership levels we still have a ways to go. I'm optimistic that it will continue to improve over time.

SULLIVAN: We really appreciate you taking the time to share your experiences and insights. Thank you!

ROBERT GRASING / PRESIDENT / bob_grasing@renolan.com

EFFICIENCY AND PRODUCTIVITY: SORTING OUT THE STIGMA FROM THE BENEFITS



Efficient, effective, and productive are terms that are often used to define banks that manage their customer experience at the right cost. Reactions vary when those terms are mentioned in regard to high-performing banks or in describing a performance improvement effort. Some managers consider an increase in productivity as simply "doing more work," while others see it as a chance to realize more sales and service opportunities. Typically, improving efficiency results in less work while improving both customer and employee experiences.

The "more work" stigma stems back to decades ago when "efficiency programs" were a way to trim staff, often with layoffs and without the benefit of systems integration and process improvement. Companies simply used ratios to determine the number of required tellers, proof operators, credit analysts, or consumer lenders based on some form of output such as transactions, encoded items, underwritten applications, or booked loans. Those ratios provide a good starting point to better understand that a gap exists; but they don't reveal the causes, and they don't define ways to improve outcomes through redesign. For example, a ratio won't reveal that a straight layoff will likely result in the burnout of remaining staff and impairment to the customer experience.

When using a proven redesign methodology, it is preferable to communicate expected outcomes for efficiency gains and how the organization is going to implement the changes. We work with our clients to develop a communication plan that fully explains what is going to happen, when it will happen, and what the expected outcomes are. It is also important to communicate the status of the initiative at milestones throughout the process so that staff will not use the rumor mill to speculate. Staff members are much more likely to embrace a change process and participate in it (even advocate it) if they know what's going on. I recall a memorable project kickoff meeting with hundreds of officers in a room where the CEO was conducting a Q&A. When the questions dried up, the CEO said he was surprised that no one asked if there was going to be a layoff as a result of the initiative. From the back of the room a lone voice called out, "We were afraid to ask." The fact is that they were thinking about it.

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WHEN USING A PROVEN REDESIGN METHODOLOGY, IT IS PREFERABLE TO COMMUNICATE EXPECTED OUTCOMES FOR EFFICIENCY GAINS AND HOW THE ORGANIZATION IS GOING TO IMPLEMENT THE CHANGES.

Nolan's annual Bank Performance Study provides the analytics and comparative analyses that identify performance and efficiency gaps among peer groups and lines of business. The results provide directional information to participants to help them focus on specific improvements that offer the greatest impact. The real work and fun is finding out why the line of business gaps exist, and then redesigning the processes so that customers and staff can navigate them efficiently. To be effective, an improvement program must take all the steps: determine the performance gaps; assess why they exist; communicate the benefits and expected outcomes; and then conduct an in-depth redesign of the process. This tried-and-true formula mitigates the stigma and maximizes results.

"We've placed beach vacation billboards in plain view from all our competitor's offices, thereby reducing their productivity by 15%."

NOLAN EVENTS

CLM Annual Conference | March 25-27, 2015 | Palm Desert, CA
Nolan is pleased to be a sponsor at this year's 2015 CLM Annual Conference in Palm Desert, CA. Chairman & CEO, Dennis Sullivan, will be onsite for the event.
– www.theclm.org

LIMRA Life Insurance Conference | April 13-15, 2015 | Arlington, VA
Nolan Senior Vice President, Ed Fenwick, along with Protective Life Insurance Vice President, Ed Caldwell, will be speaking at this year's LIMRA Life Insurance Conference in Arlington, VA. They will be speaking on Wednesday, April 15, 2015 at 10:45AM on the topic of ***The Tip of the Iceberg — Core Systems Replacement at What Cost?***
– www.limra.com

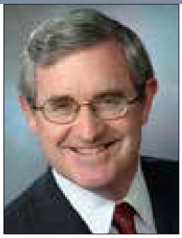
Farm Bureau Claims Conference | April 26-28, 2015 | Savannah, GA
Nolan Chairman & CEO, Dennis Sullivan, and Nolan Executive Vice President, Steve Discher, will be attending this year's Farm Bureau Claims Managers Conference being held in Savannah, GA.
– www.gfb.org

IASA Annual Conference | June 7-10, 2015 | Las Vegas, NV
Nolan is honored to sponsor this year's keynote presentation to be given by Denver Broncos quarterback, Peyton Manning. In addition, Nolan will also sponsor the COO Roundtables and Nolan consultants will present at a number of track sessions.
– www.iasa.org

IASA Executive EDGE Conference | September 20-21, 2015 | St. Louis, MO
Nolan is a sponsor of the 2015 IASA EDGE Conference which is an event designed for insurance senior executives. Members of Nolan's management team will be onsite in St. Louis.
– www.iasa.org

DENNIS SULLIVAN / CHAIRMAN & CEO / dennis_sullivan@renolan.com

SHOW ME THE MONEY



I recently watched the Tom Cruise classic, *Jerry Maguire*. When Cuba Gooding's character, Rod Tidwell, had Jerry yelling "Show Me the Money!" he was really talking about results. Jerry had all sorts of promises, but Rod wanted results, and results meant a new, fat, big-dollar contract. Well, in some recent discussions I've had with senior executives, they are voicing the same concern — "Show Me the Results." Whether it's from a new core administration system or a new sales strategy or even a new organization and processing structure, it is time to see some payback — payback in the form of tangible results such as lower operating expense, increased sales, higher capacity, and improved customer experiences.

The problem?? A lot of time and resources go into justifying a project or a new system. Yet, relatively scant efforts go into objectively measuring results. But it is this discipline that separates strong, successful companies from those that accept large leaps of faith and struggle to keep pace with the evolution taking place around them. It's déjà vu all over again with the proliferation of analytics initiatives of every size and flavor. Spend the money and hope it pays off. The book, *Hope is Not a Method*, by Gordon Sullivan (no relation) warns of the perils of that approach.

Measurement has been a core element of The Nolan Company's services for over 40 years. Believe me, we know how impactful it is and how difficult it can be to get it right. But making measurement part and parcel of your core management practices also makes it part of your company culture — it becomes "business as usual." Employees understand it, expect it, and begin to frame projects as investments instead of expenses. And with every investment, there is an expected return.

Take a hard look at your current management practices around improving systems, organization, processes, and customer interactions. Are you defining expected outcomes up front and then faithfully measuring results against those expectations? Are your vendors and employees accountable for their results? Be your own company's Rod Tidwell and say "Show Me the Money!"

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