

## Chairman's Corner: Customer Orientation Helps Put the Magic in the Magic Kingdom

by Jonathan W. Hensinger, CPCU, ARM, AIS



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**A**t the risk of sounding overly dramatic, my involvement with the Total Quality Section has changed my life. After two years of learning about quality improvement as a member of our section committee, I successfully created my own job in 2004, leading a continuous improvement initiative for a large underwriting division. My tenure in that job ended in less than a year with a promotion and new job responsibilities, but I never stopped applying quality improvement principles to everything I did. It was only quite recently, however, that I realized just how much my experience with quality improvement had changed the way I view the world.

Back in November, my family and I traveled to Orlando for a much anticipated Disney World vacation. We stayed at the Wilderness Lodge, which is one of the Disney resort hotels. We had an absolutely fabulous time. My children, who are 7 and 5, were perhaps the ideal age for this type of vacation. My wife and I had just as much fun as our kids. But as we explored the Disney parks and attractions, I noticed that my experience with quality improvement was beginning to affect the way I viewed the Disney vacation experience. I could not help but notice the different ways that Disney was listening to and getting to know their customers.

One of the first things I noticed were the uniformed Disney employees who could occasionally be found in the parks carrying small handheld computers. These employees would selectively approach park guests and survey them. Answers to survey questions would

be instantaneously recorded on their handheld computers. One thing that struck me as odd, however, was that these employees did not attempt to survey everyone who passed by. Instead, they seemed to be selective in who they approached. But what were they looking for in their interview candidates? I was curious. But then again, I was on vacation. I was only willing to expend so much time and energy trying to figure this out.

The next thing I noticed was my plastic hotel room key. Disney offers a wonderful

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convenience to those guests who stay at their resort hotels. Your room key doubles as your park pass and a charge card, meaning you can use your room key to charge purchases to your room. And if you sign up for the Disney Dining Plan, which we did, you also use your room key to redeem your dining plan benefits. While the versatility of our room key was convenient, I could not help but think that this convenience was made possible by a powerful information system that was also tracking my family's movements between parks, our souvenir purchases, and our meal purchases right down to what menu items we selected. While most people probably give this little thought, I reflected on how valuable such information must be to Disney. Being able to profile the movements and spending habits of all their guests would be invaluable in helping them anticipate what might satisfy their customers in the future.

As our vacation progressed, I also found myself thinking about the other park guests the way Disney probably does. Who are those people who are so devoted to Disney that they visit its theme parks every year? How does the quantity of Disney clothing owned by an individual correlate with how often he or she visits Disney theme parks? There must be a correlation. And seriously, who are those people taking photos of the inside of the gift shops? I would not have believed this last one had I not seen it with my own eyes. I am sure there is a whole team of people working full time at Disney studying these questions.

Before we checked out of our hotel, I had reached the conclusion that Disney must have an extremely clear picture of who their customers are and what they like. More importantly, I was convinced that they knew exactly who their very best (returning every year) customers are and what they liked. Based on my observations at Disney World, and my personal knowledge of a few Disney fanatics that I know, I reached my own conclusions about the profile of Disney's

very best customers and what they like. Large meal portions must be at or near the top of the list.

Not long after we returned home from our vacation, I received a very elaborate online survey from Disney asking me for my opinions about my vacation experience, my vacation preferences, and what types of amenities might interest me in the future. The survey was somewhat anticlimactic for me, only because I was expecting it. The survey was sleek and well-designed. I answered all of its questions. The final survey question was open-ended and invited me to make any comments I wanted to share with them. I used this opportunity to thank Disney for a wonderful family vacation. We really did have a great time. I also applauded the work being done behind the scenes by the people who would be analyzing my survey. They clearly were masters of customer orientation. And there is no doubt that the work they are doing is helping Disney World improve its business results.

Will I return to Disney World again? I hope so, but probably not for a while. There are too many other vacation destinations out there I want to explore. Although when I do return to Disney World again, I won't be taking any pictures of the inside of the gift shops. I suspect someone in the Disney organization has already figured this out about me. ■

# Book Review: *You Are the Message*—by Roger Ailes with Jon Kraushar

reviewed by Laura M. Kelly, CPCU, AIC, AIS

To successfully achieve your personal and professional goals, you must be able to effectively communicate. Everything you do sends your audience a message. In the words of Ralph Waldo Emerson, “What you are speaks so loudly, I can’t hear what you say.”

This book provides a different perspective on communication. It suggests ways to develop a comfort level with yourself and your situation, to become tuned into your instincts, and to know how you feel about the subject at hand. The book also reminds you that, overall, good communication is simply good conversation whether it is an intimate conversation with one person or a presentation to an audience.

First impressions are usually developed within seven seconds. That is not much time to deliver your desired message and make an impact. Your eyes, facial expression, body movement, vocal pitch, tone, volume, intensity, commitment to your message, and sense of humor are all sending a message. For words to truly have meaning, the rest of you must be synchronized.

Roger Ailes identifies the 10 most common communication problems as:

1. Lack of initial rapport with listeners.
2. Stiffness or woodleness in use of the body.
3. Presentation of material is intellectually oriented; and speaker forgets to involve the audience emotionally.
4. The speaker seems uncomfortable because of fear of failure.
5. Poor use of eye contact and facial expression.
6. Lack of humor.
7. Speech direction and intent are unclear due to improper preparation.
8. Inability to use silence for impact.
9. Lack of energy, causing inappropriate pitch pattern, speech rate, and volume.
10. Use of boring language and lack of interesting material.

Most of these communication problems can be overcome with practice, and attention focused on the four essential attributes of great communicators.

1. **Be Prepared.** People must have confidence that you know what you are talking about. You should know why you are speaking, what your objective is, and how you feel about the subject. You do not need to be a leading authority on the topic, but you should know more about it than the listener. The bottom line is to prepare, rehearse, and rehearse a little more.
2. **Make Others Comfortable.** You must be comfortable with yourself to make others comfortable. If possible, get to know your audience beforehand and try to develop rapport with them. Also, lighten



up and don’t take yourself so seriously. A helpful exercise for making others comfortable is to try playing yourself. You should remain the same regardless of the communication situation that you are in. Many people are quite good at communicating on a one-on-one level and will project themselves as warm, friendly, and articulate. However, when that same person is placed in front of an audience, he or she changes into someone else and becomes self-conscious, wooden, tongue tied, uninteresting, and cold. People falsely believe that they must act differently than they usually do; however, good communicators do not change their style based upon the situation or the audience.

3. **Be Committed.** Very few people will freeze up, and be unable to speak when they feel strongly about something. Ordinary people can become extraordinary communicators when they are fired up with commitment. Go back to your instincts and say what comes to mind from your own experience. If you show that you care about the topic, your audience will care along with you. Try to recall something that really mattered to you and consider how you would describe it to a close friend, and then apply that concept when you are speaking to others.

4. **Be Interesting.** This goes with being committed. Consider how you would sell your point of view if you had five minutes to do so. You do not need to stay within the parameters of your subject at all times, and can reference topics that are familiar to your listeners as examples.

In addition to these essentials, there are other factors that can help you to become a better communicator. You must be a good listener to successfully

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# Book Review: *You Are the Message*—by Roger Ailes with Jon Kraushar

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communicate. Unfortunately, many people are inefficient listeners. It is suggested that after a 10-minute presentation, the average listener has retained half of what was said, and that percentage continues to decrease as more time goes by. To become a better listener, consider how often you interrupt others or get distracted, get into the habit of taking notes, and be attentive to how much you talk as opposed to listening. Strive to listen 60 percent to 70 percent of the time, and talk 30 percent to 40 percent of the time.

The “magic bullet” of communication is the quality of being likable. The “like factor” is extremely powerful and can help to build relationships with your customers, employees, co-workers, and team. If the individual or audience that you are communicating with does not like you, you can hit every communication rule on target and still be ineffective. Ailes describes the attributes of a likeable person as optimism, concern about others, ability to see opportunity in difficulty, ability to handle stress, having a sense of humor, and the ability to perform at his or her best in a crisis.

Emotion can be a double-edged sword when it comes to communication. When emotion is positive and genuine, it is the strongest force of persuasion. When emotion is negative or insincere, however, it creates a wall and prevents your message from getting across. You can learn to use emotion to your advantage by being aware of your feelings and sharing them with your audience, thereby making it personal. Facts provide the information, but emotion provides the interpretation. Emotions affect your attitude about life, people, and your job, which will come across in your overall message.

Charismatic personalities believe that they can add value to any situation by their involvement. To be charismatic you need to project confidence, be aware of your feelings, and always aim to treat everyone with the same comfort level and goodwill.

Energy can solve many communication problems. When you sincerely believe in what you are saying, you will project enthusiasm. Whether your audience agrees with you, you will convey your conviction, and your audience will believe you. While positive thoughts help to build positive energy, negative thoughts can destroy it. One of the most negative thoughts we can have is the fear of failure or embarrassment, which can distort your message.

The author makes note of a quote from Elbert Hubbard, “The greatest mistake you can make in life is to continually fear you will make one.” The secret is to find a way to convert fear into positive energy. If you put your energy into preparing what you will say and do, your message will flow more naturally, and the fear will disappear once you get started. Attempting to rationalize your fears can help. Consider what the absolute worst thing is that can happen to you and how likely it is to happen. You can often laugh at yourself when you consider how unrealistic your worries are.

Keep in mind that you can be a technically imperfect speaker, but communicate well with others. Even if you do not do and say everything perfectly, it does not mean that you have failed. An audience will usually forgive mistakes if they feel you are being honest, sincere, and committed.

Overall, this is an excellent book for anyone interested in further strengthening their communication skills. Roger Ailes provides many examples and exercises to evaluate yourself and help you improve upon your communication techniques. The book delivers a simple and straightforward message. If you prepare, are honest, care about your subject, and share your personal opinion, then you can communicate successfully with others. Be yourself at your best, because you are the message. ■

## About the Authors

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# Using Quality Principles to Design an Effective Leadership and Executive Coaching Program

by James R. Jones, CPCU, AIS, AIC, ARM



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**Editor's note:** This article describes how the Katie School applied "quality principles" to the development and implementation of its Leadership Coaching program.

## Quality Principle 1: Establishing the Need

As any adherent to quality will tell you, the first component of quality is understanding the needs of your customer. All products, services, and processes must be developed with this in mind. This process is sometimes known as understanding the "Voice of the Customer." Marketing people refer to this simply as understanding and establishing a need. Performance technologists call this "gap analysis."

In 2003, the Katie School, on behalf of the Society of Insurance Trainers and Educators (SITE), conducted a national survey of insurance trainers and educators. One of the questions asked of respondents (who were comprised of learning and development department members of SITE), was "What training and development is being outsourced?" One of the top answers was "leadership training" with 20 percent of respondents indicating that this was outsourced. Another content area that was ranked high on outsourcing was "Leadership" and "Executive Coaching" (23 percent of respondents outsourced this).

These findings helped to establish that there was a market for providing programs on leadership and leadership coaching, but a question still remained, was there truly a need for such programs? In short, was there an organizational performance gap that could be filled by leadership programs and leadership coaching? Was there a competency gap among leaders that could be filled by such programs? The answer was, and is, a resounding yes.

In a survey of 308 CEOs, more than 50 percent of CEOs surveyed stated that the leadership skills of executives need to improve "a great deal."<sup>1</sup> Other studies also support this finding. Furthermore, a study by Development Dimensions International Inc. (DDI), found that one-fifth of this country's large, established companies will be losing 40 percent or more of their top-level talent in the next five years as senior executives reach retirement age. The study points out that what makes this a potential crisis is a lack of development and succession planning. There turns out to be a severe shortage of qualified replacements.<sup>2</sup>

Based on these findings, the Katie School went about sourcing expertise from faculty within the university (especially in the College of Business), and recruited experts practicing in the leadership development space, in order to help develop programs on leadership and leadership coaching.

## Quality Principle 2: Understand the Root Cause and Apply Problem-Solving Tools

Dr. Kaoru Ishikawa's contribution to the quality movement was in the form of a cause-and-effect diagram analyzing the root cause(s) of a problem. Without understanding the root cause, organizations and individuals will focus only on symptoms. Treating the symptoms alone will not yield long-term sustainable results. To illustrate, assume that a leader has a problem in juggling too many projects at the same time. The causes for this can be as varied as the individual. For example, one individual may have too many projects because he is **too prudent**, too slow to decide, and suffers from paralysis by analysis. Another leader may appear to have the same problem, but her cause may be that she takes on too many projects because she does not know how to say "No." Same symptoms but different causes.

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# Using Quality Principles to Design an Effective Leadership and Executive Coaching Program

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The root cause of underperformance is almost always unique to (1) the organizational context in which the leader is working, and (2) the particular strengths, weaknesses, and risks of the leader. Leadership coaching should always be customized to the individual leader and the leader's role and environment. A similar systems-based approach and coaching process can be used with each leader, but performance solutions should be unique and based on the underlying causes of underperformance.

In order to identify the causes and potential areas for performance improvements, a diagnostic tool (or tools) should be used. In addition to personal interviews, some common leadership coaching assessment tools include FIRO-B, Leadership Practices Inventory, DISC, CDR, and a number of variations on 360 feedback. Two or three of these may be used in a complementary fashion. For example, the CDR Assessment is a tool the Katie School finds valuable and is one that has been validated. It measures character (such as personality characteristics including leadership energy, sociability, learning approach, and prudence), drivers (including motivators such as money, fame, companionship, safety, scientific inquiry, and entertainment), and risks (including egotism, hyper-moody, detached, pleaser, etc.) and each of these are unique to the individual leader and affect the leaders' effectiveness in a given role. Without proper diagnosis, the root cause for ineffective performance will not readily be identified, and the leader will continue to flounder when circumstances change.

## Other Tools

Depending on the circumstances, other tools for helping generate creativity, brainstorming, and mind-mapping may be used to help the leader move the organization forward.

## Quality Principle 3: Design Leadership Coaching for Business Results

Without business results, quality initiatives are just hollow exercises, and without individual leadership results, the coaching session and assessment tools amount to little more than high-tech, sophisticated "palm readings." To help ensure results, the coach should, at the end of each diagnostic session, work with the leader in creating a leadership development plan. The components of an effective leadership development plan should, at a minimum:

1. Identify of one or two behavioral changes that will be implemented by leader.
2. Assess the likely impact of the change on the individual, the organization, and even family.
3. Develop specific action items that support the change.
4. Establish specific goals and outcomes with timelines.
5. Monitor results.

Finally, the effectiveness of the coaching should be evaluated. As with any training or performance improvement program, the levels of evaluation are typically defined as follows:<sup>3</sup>

**Level 1=Reaction:** How much did the participants like the program? This is generally accomplished with the end-of-course "smile sheet" form of evaluation.

**Level 2=Learning:** What principles, facts, and concepts were learned in the coaching program? Review of key concepts can help affirm this level.

**Level 3=Behavior:** Did the job behavior of the leader change because of the program? Demonstration of behavioral changes as observed by the leader's direct reports and management is a fairly objective way to determine how much behavior has changed.

**Level 4=Results:** What were the results of the program in terms of factors such as reduced costs or reduction in turnover?

Capturing the results of these evaluations will help the coach become better and also help establish the value of the coaching sessions. The Katie School used the feedback to confirm that the coaching sessions were adding value for the individual leader and the companies they work for; and has focused and improved follow-up sessions to help ensure the effectiveness of the tools used.

## Team-Based Variations on Leadership Coaching

In addition to individualized coaching, the Katie School has worked with leadership teams to help them better understand the overall dynamics of their team and how decisions within the team are likely to be made. Customized leadership workshops can be developed to meet specific issues for the leadership team as a whole. This is an effective way of moving a department or business function forward. ■

## Endnotes

1. Blazey, Mark, *Insights to Performance Excellence 2003. An Inside Look at the Baldrige Award Criteria.* (ASQ Quality Press, Milwaukee, WI. 2003 ) pp. 4-5.
2. Caudron, Shari, *The Looming Leadership Crisis* (*Workforce*, September 1999) Vol. 78, No. 9, pp. 72-79.
3. Based on work by Donald Kirkpatrick, *Techniques for Evaluation of Training*, 1979.

# Sections Strategic Task Force Report Summary

by Kathleen J. Robison, CPCU, CPIW, ARM, AU



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30 years of experience with leading claims organizations, and possesses a wide range of commercial and personal insurance coverage knowledge and applicability. K. Robi & Associates, LLC, which she founded in 2004, provides customized consultant services in the property and casualty insurance fields, including expert witness testimony, litigation management, claims and underwriting best practices reviews/audits, coverage analysis, and interim claims management.

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**A**t the CPCU Society's 2005 Annual Meeting and Seminars, the Board of Governors created a Sections Strategic Task Force. The task force developed a strategic vision for sections, and presented it to the board at the CPCU Society's 2006 Annual Meeting and Seminars in Nashville in September. The Board of Governors accepted the report and referred it to the Executive Committee to develop detailed recommendations for consideration by the board at the April 2007 Leadership Summit meeting. This article summarizes the report and recommendations.

David Medvidofsky, CPCU, CIC, chaired the task force. Members of the task force were Tony L. Cabot, CPCU; Matthew J. Chrupcala, CPCU; John

L. Crandall, CPCU; Clint Gillespie, CPCU; Michael J. Highum, CPCU; Kelli M. Kukulka, CPCU; W. Thomas Mellor, CPCU, CLU, ChFC; Kathleen J. Robison, CPCU, CPIW; Eli E. Shupe Jr., CPCU; Nancy S. Vavra, CPCU; and Barry R. Midwood, CPCU, as CPCU Society liaison.

The task force began its assessment by focusing on issues of strategy and purpose. It developed a series of strategic questions designed to answer "who, what, and why," before addressing the question of "how?"

After task force consensus on the questions, feedback was shared with designated section liaisons. The task force also met with key stakeholders at the mid-year meeting to share findings, to test attributions, and to obtain additional input.

The task force took a qualitative approach relying on member input and interviews to develop findings. Prior survey data were reviewed.

Prior to creating the strategy, the sections' current mission and vision statement were reviewed. The task force recommended the following changes.

**Special Note:** *One of the recommendations is to re-brand the sections into interest groups. Therefore, the reader will note the reference to interest groups rather than sections.*

## **Proposed Mission**

The CPCU Society aligns its members within interest groups consistent with the major disciplines of the property and casualty insurance industry. Serving the industry and other stakeholders in an ethical and professional manner, interest groups add value by increasing interest in attaining the CPCU designation and by helping make CPCU the most recognized, valued, and highly respected designation in the property and casualty industry through consistent and valuable technical content.

## **Proposed Vision**

Interest groups offer targeted educational content that make CPCU the most widely recognized, valued, and highly respected professional designation/brand in the property and casualty industry. Instead of being focused toward a value-add for a narrow target, interest groups are at the forefront for name recognition and desirability of the CPCU designation by reaching a broad audience. Although segmented by discipline, interest groups target their consistent and high-quality technical content to anyone in the industry seeking focused information.

Interest group affiliation is provided automatically to CPCU Society members. This enables consistent and ongoing technical content to reach CPCUs affording continuing education and reminding them of the value of CPCU Society membership.

Ultimately, the reach of interest groups extends beyond just CPCU Society members. All industry professionals are, therefore, exposed to CPCU through the work of its interest groups. Exposure to the high-quality, technical content of the volunteer interest groups:

1. draws industry professionals to interest groups through exposure to their work; which
2. increases interest in CPCU and other Institute programs as a course of study; which
3. increases Institute participants and program designees; which
4. increases CPCU Society and chapter membership

**Special Note:** *The above is a recommended long-range vision for sections. Included in the recommendations are specific steps to position sections for the proposed mission. The task force believed strongly that attaining the mission would be a staged process.*

*The sections' offerings must first be of consistently high value on par with other*

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# Sections Strategic Task Force Report Summary

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offerings before extending sections' reach beyond Society members.

## Proposed Strategy

The strategy is to position sections as a provider of readily available, high-quality, technical content to stakeholders. The level of content and delivery will vary based on the audience:

- For prospective CPCU candidates, sections offer technical information such as symposia and expertise within the disciplines of the industry.
- For current CPCUs the newsletter and web site are of high value and encourage CPCUs not presently part of the CPCU Society to see the benefits of joining. Retention of current CPCU Society members increases by providing consistent, high-quality, technical content within member disciplines. CPCU Society members are connected to others within a functional discipline offering networking and resource advantages not available through other industry designations or associations.

As the technical content is consistently on par with competitor offerings, "associate memberships" are offered to non-CPCUs working in the industry and to industry providers (e.g., vendors). This provides a new revenue stream for the CPCU Society and further increases name recognition of CPCU. Candidate interest in the Institute's programs increases as well as through the exposure sections create.

Accomplishing this vision requires strategic actions that are presented as a series of strategic initiatives that align with four key perspectives:

- organizational structure
- leadership development
- membership
- value-added services

These strategic initiatives are summarized with a proposed template for reporting on results.

## Organizational Structure (OS)

### OS1—Re-Brand Sections as Society Interest Groups

**Rationale:** The term "sections" does not concisely describe their purpose. Other associations with similar structures such as PMI, ABA, etc. use "interest group" terminology. As the vision for sections evolves, re-branding them as interest groups signals something "new and improved." Further, the phrase "sections" carries connotations of silos where "interests" applies whether one works in a discipline or just has "interest" in learning more.

### OS2—Create Interest Group Resource and Governance Committee

**Rationale:** As the interest groups are exposed to a wider audience, the demand for consistent, high-quality content will increase. CPCU Society staff provides excellent support. Interest groups can enhance CPCU Society capacity by forming a rotating four-member committee overseeing standards of content (see Recommendation VA1) and providing a resource for backup, training, and consultative advice. This committee would consist of:

- a former section chairman
- a former section web liaison
- a former section newsletter editor
- an additional member with experience in one of the above tasks

### OS3—Assess Current Interest Groups and Align Them with Major Industry Functions

**Rationale:** The industry has evolved since the creation of sections. For example, many companies no longer have "underwriting" departments—they have moved staff functions to product teams and field functions to production positions. Project management is integrated into most positions but has no discrete focus. As membership is opened, there needs to be a clear alignment between technical interests and the content focus of interest groups.

## OS4—Open Interest Group Membership to all Society Members

**Rationale:** Open membership will expose all CPCU Society members to the work performed by interest groups. Providing newsletter and web site access will consistently remind CPCU Society members of the value they receive by belonging to the Society. This recommendation also supports the CPCU Society's goal of visibility. Continuing education is provided while leveraging one of CPCU's key differentiators: the ability to connect its members at both the interdisciplinary level (chapters) and the intradisciplinary level (interest groups).

## Leadership Development (LD)

### LD1—Formalize Standard Interest Group Leader Training and Orientation for the Chairman, Newsletter Editor, and Web Liaison. This training will include an operations manual and continuously updated list of best practices.

**Rationale:** As membership is opened, interest group offerings will have wider exposure. Content value will become more important. Formalized training and reference materials need to be provided as tools to support the key interest group roles.

### LD2—Create a Developmental Scorecard for Interest Group Volunteers and CPCU Society Members

**Rationale:** As budget and time demands increase, employers and employees will need to understand and demonstrate the value of their commitment. A development scorecard will show employers what their investment provides. It will also enable employees to easily articulate the value they receive. The present CPD qualifier may be promoted or modified to meet this need.

## **Membership (M)**

### **M1—Create Value Statements and Other Communications Tools to Promote Interest Groups**

**Rationale:** As the sections are re-branded and membership is opened up to all CPCU Society members, value statements and a communications strategy must be created. These efforts must crisply articulate the value of interest group membership, and describe how the value of CPCU Society membership has increased. This highlights the differentiation that interest groups provide CPCU Society members through focused technical content that CPCU Society members will continuously receive.

### **M2—Establish Affiliations between Interest Groups and Other Industry Organizations (e.g., PLRB, The “Big I,” and RIMS)**

**Rationale:** To promote the technical expertise of CPCU Society interest groups and to support the goal of making CPCU the most widely recognized and highly respected designation, affiliations should be formed with other associations and/or designation programs. By presenting at their conferences and contributing to their newsletters, the CPCU Society increases their reach to potential designees committed to continuous learning.

### **M3—Refresh the Interest Group Newsletters**

**Rationale:** As the reach of newsletters increases (first to all CPCU Society members and longer term as a revenue-generating product) they must be refreshed. This will support the re-branding efforts. A task force should be formed to finalize recommendations—potential areas of review include electronic versus hard copy delivery (or option for both), the colors, logo, and layout, and the possibility of providing one comprehensive quarterly interest group newsletter with space for each interest group’s contribution (versus publishing 14 separate newsletters).

### **M4—Designate Liaison(s) to Promote Interest Group Benefits to Chapters, Major Employers, and the Insurance Services Community**

**Rationale:** The value of interest groups may be promoted by expanding the Connections concept. A discussion of the value of the interest groups must be added to the present agenda. Designating special liaisons will expand capacity to extend outreach to chapters and industry service providers.

### **M5—Strengthen Connection between CPCU Society and Accredited Risk Management and Insurance Degree Programs**

**Rationale:** Students pursuing degree programs in risk management and insurance are future prospects for the Institutes’ programs. Increasing awareness helps capture interested students. Recommendations to strengthen this connection include offering interest group membership to any approved university, offering a pool of guest lecturers, and providing a student forum for web site and newsletter submissions.

## **Value-Added Services (VA)**

### **VA1—Develop Consistent Format and Content Standards for Core Interest Group Offerings**

**Rationale:** As membership increases to all CPCU Society members, interest groups have an opportunity to promote their value to a wider audience. Longer term the strategy is to broaden interest group reach outside of the CPCU Society. This strategy requires content that compares favorably with alternative offerings. Specific content targets and standards assure the CPCU Society member regularly receive high-quality content. Support and governance for this recommendation is contemplated under recommendation OS3 above.

### **VA2—Expand Delivery Methods of Technical Content**

**Rationale:** Time and expense dictate member participation. Present delivery methods of the newsletter and the CPCU Society’s Annual Meeting and Seminars for technical content should be expanded by the interest groups to include webinars, more symposia, and chapter-ready presentations through a pool of local speakers. The possibility of on-demand or ability to purchase video of the CPCU Society’s Annual Meeting and Seminars must be considered to meet the needs of our growing international presence and those who cannot attend CPCU Society’s Annual Meeting and Seminars.

### **VA3—Encourage Interest Groups to Convert Highest-Rated CPCU Society Annual Meeting Technical Seminars into Symposia**

**Rationale:** A great deal of work goes into producing quality technical sessions that are presented at the CPCU Society’s Annual Meeting and Seminars. In their efforts to re-brand themselves and increase awareness of their offerings, interest groups have an opportunity to convert these programs into tested and finalized symposia. Not only does this effort support the strategic goal of industry outreach, but it offers an additional revenue source to the CPCU Society.

### **VA4—Conduct SWOT Analysis for Each Interest Group; Implement Findings**

**Rationale:** As the interest group expectations change and the prospective members increase to all CPCU Society members, each interest group needs to assure that their offerings align with member needs. Action plans should be developed based on the findings and reported back through the interest group governors. ■

# Customized Service Builds Client Loyalty

by Kim Proctor



**Kim Proctor** is a customer relationship consultant who founded Customers That Click based on the principle that customers are seeking positive experiences. When a business provides a positive experience, both parties benefit. In today's highly competitive marketplace, good customer experiences are a key differentiator and can often create loyalty.

Proctor has more than 11 years of experience in communications, customer relationship, and experience management, fueling customer evangelism, and being an advocate for superior customer experiences. Her professional background includes being director of customer service for a global not-for-profit organization, and managing and developing customer relationships and retention for a dot com that was a leader in the spirituality space. She built spirituality.com to one million unique users with her viral marketing and customer relationship management ideas. Additionally, Proctor has worked in advertising agencies including Hill, Holiday in Boston.

In her consulting practice, she has worked with clients of various sizes and in industries such as professional service groups, retail, law, home service providers, and educational institutions, and is growing her practice in the areas of membership organizations like country clubs as well as upscale spas and automobile sales and service.

**C**lient loyalty is best built with customized services that specifically meet client need. It is time to banish the "standard" treatment including standardized letters and invoices in favor of customized support.

Think of Amazon.com, for example. It learns about its customers (purchases and behavior), then adapts to fit their needs. What other bookstore knows the books you have read and recommends others that you might like? With the right information about each site visitor, it can provide custom recommendations and services.

The ideas in this article can help you get started or go even further in building loyalty.

## Step 1: Gather Existing Client Data

Start by collecting your client data. Do you have a central database to track all client interaction, client needs, meeting summaries, recommendations, and conversations? Or just paper folders.



If you have data in various places, put them together and get a fuller view of each client. A database should display a full history and will ideally include each action and communication (outbound and inbound), a history of services employed for this client, feedback from the client, as well as, whatever else is relevant to illustrate the full relationship and the client's preferences.

This kind of data viewed all together can reveal opportunities to provide custom services for each client.

Again, think of Amazon.com. It knows your history, suggests new books, and stores your credit card data plus provides one-click ordering. It is so easy to use and personalize, that many customers have no interest in buying books any other way (a.k.a. loyalty!).

A single client database with such granularity may sound hard to maintain. Don't be intimidated—try recording what you can. If you can record and store (and then use—I'll get to that later) even 10 percent more information about your clients and their interactions with your firm—you will find opportunities for customization.

## Step 2: Segment Clients Based on Similar Characteristics

Once you have all your client data (regardless if you have the one database in place yet or not) start looking for patterns and similar characteristics.

For example, clients using the same kind of services can be a segment. The groups are defined by those who have similar needs. Feel free to create sub-segments so that each group includes clients that are similar on as many factors as possible.

This step will help because clients in each group may need the same kind of specialized services—and that is okay. What is important is to convey to the client that you are considering his or her

specific needs and addressing them—even if other clients are getting the same kind of customized service. And for those of you already customizing services, drill down to the individual level and you will create the strongest loyalty bond.

### **Step 3: Analyze Your Client Data to Understand Client Needs**

Think about each segment—what services might they need, how could you customize your interaction, services, or even invoices to better support them? Consider how they want to do business with your firm. For example, what kind of updates do they want on what basis and in what format? What you know about their processes, lives, and preferences will help you create greater customization and, thus, loyalty.

### **Step 4: Customize Client Care, Relationships, and Offerings; Listen and Learn What Works**

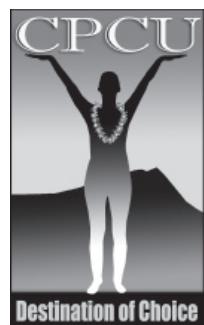
With the above information in hand, you can begin to implement specialized support.

Continue to listen and learn from your clients, and record it all in the database. Over time, this database will host a wealth of information about your business. Learn from it, adapt, and increase loyalty each step of the way. ■

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# The Power of Positive Customer Experiences

by Kim Proctor

**R**esearch has proven that customers are seeking positive experiences. Yes, I did say seeking.

Let me illustrate this point with an easy two-question exercise.

## Question 1

When was the last time you had a positive experience with a company with which you do business? Not an average experience but a positive one—where you walked away and were pleased with how easy it was to work with them, or glad they were so helpful and friendly. Think about your phone company, insurance company, retailers, restaurants, and so on.

I'm constantly thinking about customer experiences, and I keep a blog about my own. But even those who don't, can't often recall more than one positive experience off the top of their heads. And yes, a good experience isn't as easily recalled as a bad one, but low recall is a bit alarming. It should be sending off an alarm to businesses.

## Question 2

If you knew you could get better service from a particular store, would you go there (assuming all things were equal)? I would. That is why I stopped going to the Stop & Shop near my house (one-half mile away) and now drive several more miles to get to a store with nicer help and better selection and product availability. I used to walk out of the store near my house and feel disappointed and uncomfortable. Who wants that in their life? Not I.

At this point, I am seeking good experiences. I know or can find out easily (on the Internet and from friends) what companies offer good experiences.

For example, when I was researching the best laser printer, I started with Hewlett Packard. Figuring it offered the best product and the most options. Yes it offers the most options, but according

to many sources, it offers bad phone customer service, and some of its products do have problems in set up. So I looked for an alternative and found Canon. Its service is strong and helpful—so I bought a Canon. The unit was the same price as HP, however its refill cartridges are quite a bit more expensive. I didn't care. I wanted the security of knowing good service was available to me if I needed it (I have not needed it so far).

That's an example of seeking a good experience. I'm not willing to settle for bad experiences anymore. Why? Because you lose time and sometimes money when service isn't good. In today's world, time is too valuable to be wasted in frustrating phone queues and receiving mediocre or poor service. And I'm guessing you can relate.

Business is based on an exchange of value—I provide money for a service that is of value to me. If it isn't a value, why am I purchasing it?

Yes, sometimes I will settle for a product that has bad service due to certain variables. But when at all possible, I strive to work with a good service provider.

## Why Do You Want to Provide Positive Experiences?

A positive experience is the foundation for a long-term relationship—one that has a higher likelihood of re-purchase and positive word of mouth—two things that directly impact your bottom line.

Here is another reason you want to provide positive experiences: getting just 5 percent more of your customer base to be loyal would lead to an average increase in profit per customer between 25 percent and 100 percent. This is a compelling statistic from Frederick Reichheld's book *The Loyalty Effect: The Hidden Force Behind Growth, Profits, and Lasting Value*. A key way to getting to that loyalty is by offering positive customer experiences on a consistent basis to customers who are new or have long-term relationships with your organization.

This reveals the opportunity to grow your business by keeping existing customers happy. Those happy customers will stay with your business longer and are more likely to spread the word—bringing you new customers with no acquisition cost.



## How Do You Know If You Are Providing Positive Experiences to Your Customers?

You can evaluate the experiences your customers have by looking at every “touchpoint” you have with your customers and (a) looking for customer feedback on those points; (b) talking to employees who interact with customers at those touchpoints; and (c) asking customers at those points for feedback.

To explain, a customer “touchpoint” is any occasion when you communicate to or interact with customers like a web site, marketing materials, phone service, in-store, and so on. A touchpoint can include a one-way or two-way dialogue/connection. For example, customers have an experience on your web site—they might find it helpful, easy to use, or hard to navigate, missing key information, and frustrating.

## Satisfaction Does Not Equal Loyalty

Many are tempted to think that customer satisfaction surveys and results tell the full story. They don't. Customer satisfaction surveys do not measure or reveal if customers had a positive experience. They measure past satisfaction and do not equate with loyalty or the potential to spread positive word of mouth like a positive customer experience will.

If you track and measure the customer experience, you can get a faster read on the health of your business. Gallup has done much research on this, and the worldwide consulting group Peppers & Rogers has affirmed the power of the customer experience as well. The latter group has published a book called *Return on Customer* with an intriguing proposition on measuring and understanding the value of your business in a whole new way.



To track the customer experience, revisit the touchpoint exercise above. If you can capture feedback about the experience (meaning, ask specific questions not general satisfaction ones) at the touchpoint or soon after, that is the best way to see how it's going.

Lastly, I propose that shifting a percent of marketing and advertising dollars toward customer experience management will help a business grow faster and for less money than maintaining a large focus on customer acquisition without any focus on customer retention and relationships over time. For example: shift 15 percent of your customer acquisition budget (advertising, trade shows) to improving customer experiences (increasing training and compensation for front-end employees, improving web customer service, upgrading systems so you can provide seamless higher quality customer service or whatever might have the most impact on your customers). When you shift, track some key metrics and see what happens to customer retention, satisfaction, or more. You will see a difference. Oh, and check your bottom line, too.

More and more businesses are doing just this.

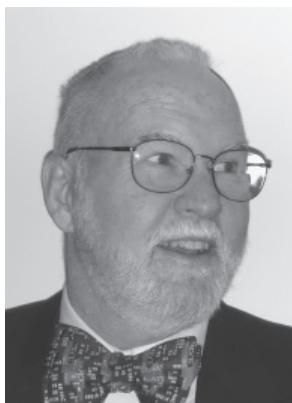
Most people have heard that it is five times more expensive to acquire a customer than to keep one. That needs to be an increasing focus of businesses focused on growth—customer retention and loyalty. You can grow and save money, too. ■

# Insurance for Emerging Technologies Entrepreneurs: A Challenge Not To Be Ignored

by Gregory V. Serio, J.D., and Edward W.S. Neff, CPCU, ARM



**■ Gregory V. Serio, J.D.,** former superintendent of insurance for the state of New York, is managing director of Park Strategies, LLC in Albany and New York City.



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## Abstract

*Emerging technology businesses face many challenges as they grow through the development stages into successful operations. Adequate and appropriate risk management policies and coverages are often among the significant but overlooked challenges that can contribute to their failure rate. The risk management and insurance communities, companies, and brokers alike should be working with these developing businesses in their earliest incubator stages to understand their unique risks, and develop programs and new coverage forms that will address their needs not only in their earliest days but also as they develop into mature businesses. Home-based businesses face the same challenges, as was reported last year in a little noticed Independent Insurance Agents and Brokers of New York report.*

**T**he Independent Insurance Agents and Brokers of New York released to little notice last year a report raising a critical issue for many home-based businesses: the (in)adequacy of insurance coverages for the business operations within residences. This study, which showed that many home-based businesses are exposed to potential financial peril because of inappropriate or insufficient coverages for business-related activities, should direct our attention to another unspoken and potentially critical problem: the (in)adequacy of insurance coverages for New York's emerging technologies businesses.

Just as home-based enterprises, comprising a healthy portion of the state's small business community, provide structural strength to the backbone of the state's economy, the new technologies sectors—bio, nano, and other emerging areas—represent the most positive business development trends that our region has seen in generations. The Sematech initiative that has become the cornerstone of the Capital District's nanotechnology boom, the recent

announcement of AMD's decision to build a chip-fabrication facility in Saratoga County, and the seemingly unstoppable forces behind the Tech Valley movement have all contributed to the strong foundation upon which upstate New York's economy will rest for the foreseeable future.

Key to the progress of this economic expansion, of course, will be the proliferation of smaller companies either spawned to support the larger developments or to start mapping the next generation of technological breakthroughs. Small businesses in the Capital Region, including a new crop of home-based businesses, will take on a decidedly high-tech flair.

While the grander initiatives like Sematech and AMD most likely have adequate and tailored insurance programs, the many smaller technology and software companies that are cultivated from this tremendous economic wave may well not be sufficiently covered. Failing to adequately cover them (in types or breadth of coverages) for the eventualities that come to confront all businesses, large and small, will have profound effects beyond the four walls of those enterprises, and will directly impact the regional economy and its ability to sustain the technology-based business boom it is now enjoying.

(Among those "eventualities" are shortcomings in the operational security and continuity of the Internet, and other information pathways that have become critical for many emerging businesses and crucial for small businesses in particular. The Business Roundtable recently released a report, "Essential Steps to Strengthen America's Cyber Terrorism Preparedness," which highlighted many deficiencies in the protective mechanisms that would prevent or mitigate the effects of some cyber interruption. While it did not even address the gaps in the financial

safety net for high-tech and emerging market companies, i.e. insurance, the report did concentrate on the need for fixing the operational defects in our preparedness strategy.)

The new and emerging technologies businesses need protections unlike any other components of the small-business sector. And, these new entrepreneurs need to focus as much on protecting the businesses they create as on growing them. The efforts to protect and develop these fledgling businesses, however, are made difficult given that current, off-the-shelf policy offerings don't fit their needs. Economic advances in emerging technologies will be short-lived if the insurance professionals serving these new businesses do not challenge the status quo in terms of the coverages that are typically furnished to the small businesses that do and will populate the sector. As the Independent Agents' study indicated, agents and brokers need to educate insureds and prospective clients as to how available coverages fit or do not fit the operating realities of their businesses. The question is: are existing coverages suitable (or affordable, for that matter) for the businesses seeking coverage?

The forces behind the tech sector boom in the Capital Region will need to instigate this discussion. While they share, together with insurers, agents, and public policy makers, the duty to make sure that our new economic base is properly protected, it is the visionary element of the Tech Valley concept that can best articulate the needs of this marketplace. The growing economic force of the business entities that are deciding to call this area home can best persuade insurance agents and brokers (who may have their own errors and omission exposure for mismatching coverages to risks) to seek appropriate coverages more aggressively and compel insurers to provide such coverages.

Some within the insurance community will see this as a challenge they are not willing to take on. Inserting new and perhaps unknown risks into an insurance industry that has become increasingly risk averse—asbestos liabilities, for example, have mushroomed far beyond the known science at the time that the applicable liability policies were written—will of itself be a difficult task. For many insurers, it may well be more advantageous to ride the far slower path of letting legal interpretations of traditional policy language, shoehorned into these new business contexts, determine the breadth of coverage. This track may well be preferable to venturing out with new policy coverage concepts and language that have no interpretive track records.

The traditional insurance carriers may pass on the opportunity to play a role in the maturation of this branch of the economy. If so, then the emerging technology sectors and the businesses within them, from the incubated to the established, will have to take matters into their own hands. The same entrepreneurial spirit that has fueled the rejuvenation of this segment of upstate New York's economy will be necessary for the creation of a whole new insurance sector, catering to the emerging technology fields, merging the dynamism of venture capital with the security of insurance capital, and delivering for these companies coverages that work for them in terms of quality, breadth, and affordability. But this will not be your father's insurance sector, as they say, for it will be built upon contemporary notions of alternative risk financing and risk pooling, underscored by an attentiveness to risk management and loss control that does not exist in many traditional insurance relationships.

As with every other step of the way for the tech-sector entrepreneur, this won't be easy. Arcane laws will have to be revisited, and the flexibility in assembling coverages currently enjoyed by only the largest corporate entities will have to be offered to all the members of the new economy as well. Just as our technology-sector leaders could not play the role of bystander when it came time to figure a way to reinvigorate the local economy—creating the opportunities for their enterprises as well—they certainly cannot be mere observers as it relates to the changes will have to be made to allow for enhancements in insurance coverages for the market and their own insurance programs. Like their non-technology home-business colleagues in our economy, they have as much a duty to educate themselves to the insurance program they choose or have chosen for them as any agent or broker, and they need to know, in detail, how these coverages either protect or *do not protect* their enterprises.

When more than half of the home-based businesses in the Independent Agents' study are found to be without business coverage, and fully two-thirds of those studied lack adequate coverage, the challenge of properly covering the most vulnerable elements of our economy is already daunting. But when one considers that our present and future economies are similarly situated, the task does not simply become exponentially more difficult; rather, it takes on the proportion of a mission for everyone concerned or connected to this economy to make the moves necessary to marshal the resources, tear down the blockades, and do what has to be done to make these businesses more secure because, after all, they will one day make us all more secure. ■

# Got a Performance Gap?

**What You Want Is Not What You Got?**

**Need Quality Improvement Suggestions?**



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**T**he TQ Section's John Gilleland, CPCU, API, AIS, AU, will help you by phone and e-mail. Call him at (800) 226-5309, ext. 3398 or e-mail him at [jtg1@profitableunderwriting.com](mailto:jtg1@profitableunderwriting.com). He can help you learn, commit, and do what it takes to develop better processes so you get better results. He's agreed to offer this service for free during 2007 to anyone who will put forth the effort to improve what they need to fix. Commitment to process improvement and other quality principles is expected as clients learn what their options are. We, the TQ Section leadership, are betting increased awareness will create excitement and, in turn, excitement will foster energy and will power.

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