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Chairman's Corner

by Valerie Ullman Katz, CPCU, ARM, AIS, AIM, CBCP

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Katz is a past president of the CPCU Society's Philadelphia Chapter. She has an M.B.A., and has taught various insurance classes for the past 15 years. She is married to a wonderful man and has two perfectly beautiful, talented, and intelligent daughters.

Almost two years ago I earned the Certified Business Continuity Planning (CBCP) designation. This designation provided me the knowledge to provide disaster recovery and business continuity planning to my company. This activity truly reflects the total quality of an organization—the ability to recover its critical business functions, provide for its employees and customers, in the event of a disaster. I am an attendee at the Spring Conference earning mandatory continuing education credits while I write this article. The conference is in Disney World. I am surrounded by happy, happy people wishing me a “magical day”—lots of happy, happy people. Frankly, I miss my family and wish I were home. I am too guilty to enjoy Disney without the kids.

So, perhaps to rid myself of guilt, I thought that I would investigate why Disney quality is legendary. Whatever secrets I could uncover could be used as an exposé for this article. If this is in the name of research, I can delve in to my heart's content and shake off the familiar Mommy Guilt.

Disney is the consummate provider of quality service. Its many theme parks create unique story settings providing a unique experience for individuals, couples, and families. Millions of people pass through the various Disney properties. The product is consumed minute by minute and there is no margin for error. One bad service experience is a lost customer, lost revenue, and, most importantly, lost reputation. One unhappy experience defeats the entire Disney organizational culture—supplying magic to Disney visitors. Disney, and most notably the Disney Institute, the training arm of Disney, proliferates a Quality Service Cycle that encompasses

the corporate mission statement, interview process for new employees, setting service standards, training for service standards, and maintaining the work environment or “setting” for the customer. The entire organization is focused on supplying superior service to its customers at all times. Its quality cycle provides service standards and processes on an integrated basis so that it is seamless to the outside world. Every aspect of the Disney experience is geared toward ensuring that customers have the best possible of experiences—whether in a queue or buying freshly popped corn on Main Street.

I queried several Disney employees, (or cast members as they are referred to), during the conference. I asked a desk clerk at a Disney hotel, “What is so legendary about the service quality here?” He responded, “Look around you. Every cast member adheres to our company's mission statement, ‘We create happiness by providing the finest in entertainment for people of all ages, everywhere.’”

One young woman, serving as a bellman dispatcher, was earning her master's degree and taking classes to learn to speak Spanish as part of her Disney employment. I asked if she liked working at the park or if she was using the education benefits for a different end career. Surprisingly, she volunteered that at 35 years of age, Disney was the best employer she had experienced and was gaining the additional education to further her career in Disney. “After all, who better to manage employees than an employee managing and greeting guests when they first arrive? There is no second, first impression!” I then asked

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Chairman's Corner

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how she defines quality in her performance. Her response was enthusiastic. "My quality is your leaving me smiling, questions answered, and your needs fulfilled." Wow.

A second cast member was the sales woman in a Disney gift shop. The shop was quiet and after a few minutes of pleasantries, I asked, "How do you define quality service in your position?" The response was similar, "Your needs met with a smile." Double wow.

■ ***My quality is your leaving me smiling, questions answered, and your needs fulfilled.***

Time after time (and I asked many cast members) I received the same answers. Meeting the guests' needs in a timely manner and with a smile signified their commitment to quality service. No matter what a guest requested, a cast member was expected to assist or provide the answer. Even my express checkout from the hotel was preceded by a voice mail thanking me for my stay, telling me to keep my key as a souvenir and, if I needed assistance to call at my convenience!

Maybe because I am a middle-aged curmudgeon, I kept poking and digging in between seminars. On my last day of the conference, the hotel manager referred me to the book *Be Our Guest* by the Disney Institute. In a concise 195 pages, the secrets of the Quality Service Cycle were laid out, using not only the Disney parks, but Disney Institute graduates, hospitals, grocery stores, colleges, car dealerships, etc. as examples.

The Quality Service Cycle brings with it the fundamental of determining organizational culture. The culture is driven by senior management. Once the culture was framed, the employees become the distribution system. The entire organization moved to enforce the mindset of every employee to prescribe, and imitate, behaviors supporting the

culture. Job applicants were auditioned, training was refined to teaching traditions, and local cultures within the theme parks were encouraged. Each employee is treated as an important element of the culture. Processes were tried, tested, refined, until they became smooth and seamless to the outside world. Finally, service standards and delivery systems were integrated into a whole Quality Service Cycle.

The Cycle takes time, training, and, most importantly, commitment by management and line employees. It costs money. At first it is an investment that reduces profits. Upon successful completion it is an investment that provides a great return. ■



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Leading Change by John P. Kotter: A Book Review

by Jonathan W. Hensinger, CPCU, ARM



■ **Jonathan W. Hensinger, CPCU, ARM**, is a commercial lines underwriter with State Farm Insurance in Concordville, Pennsylvania. He began his career at State Farm in 1991 after earning his bachelor's degree in economics from Cornell University. His experience with State Farm includes claims and underwriting. Hensinger is currently serving as the president of the CPCU Society's Brandywine Valley, Del/PA Chapter. His wife Maria also works at State Farm. Outside of work, he spends most of his time with his family. He has two children, Gabriella who is three, and Ethan who is one.

The rate of change in the business world has increased tremendously over the past two decades. Powerful macroeconomic forces, like globalization, changes in technology, and increased competition threaten to further increase that rate of change. As a result, more and more organizations will be pushed to reduce costs, improve the quality of their products and services, and increase profitability. But beware. Change requires leadership. And change efforts can fail without the right kind of leadership. Here is the author's eight-step process for effectively leading change:

- 1. Establish a sense of urgency.**
 - Examine the market and competitive realities.
 - Identify and discuss crises, potential crises, or major opportunities.
- 2. Create the guiding coalition.**
 - Put together a group with enough power to lead the change.
 - Get the group to work like a team.
- 3. Develop a vision and strategy.**
 - Create a vision to help direct the change effort.
 - Develop strategies for achieving that vision.
- 4. Communicate the change vision.**
 - Use every vehicle possible to constantly communicate the new vision and strategies.
 - Have the guiding coalition role model the behavior expected of employees.
- 5. Empower broad-based action.**
 - Get rid of obstacles.
 - Change systems or structures that undermine the change vision.
 - Encourage risk taking and nontraditional ideas, activities, and actions.
- 6. Generate short-term wins.**
 - Plan for visible improvements in performance, or "wins."
 - Create those wins.

- Visibly recognize and reward people who made the wins possible.

7. Consolidate gains and produce more change.

- Use increased credibility to change all systems, structures, and policies that don't fit together and don't fit the transformation vision.
- Hire, promote, and develop people who can implement the change vision.
- Reinvigorate the process with new projects, themes, and change agents.

8. Anchor new approaches in the culture.

- Create better performance through customer- and productivity-oriented behavior, more and better leadership, and more effective management.
- Articulate the connections between new behaviors and organizational success.
- Develop a means to ensure leadership development and succession.

The rate of change will not slow down anytime soon. So what will the organization of the future look like? In the future, successful organizations will have a persistent sense of urgency. They will have teamwork at the top—they will eliminate giant egos and snakes. They will have people who can create and communicate vision. They will foster life-long learning and develop leadership. They will achieve broad-based empowerment through flatter organizational structures and by pushing authority down to lower levels of the organization. They will let go of old, unproductive procedures. And finally, they will develop an adaptive corporate culture, one that will allow them to embrace change and move through changes quickly. ■

Getting in Front of the Pack through Downstream Customer Analysis

by James R. Jones, CPCU



■ **James R. Jones, CPCU**, is the executive director of the Katie School of Insurance and Financial Services, Illinois State University.

In addition to preparing students for the insurance industry, one of the functions of the Katie School is to conduct research and consulting for industry clients. A primary goal of many consulting projects is for the client company to find some way to gain a competitive advantage through superior knowledge of its customers. What is interesting is how few companies seem interested (at least initially) in finding out what their direct customer's customers (the downstream customer) want. More typically, companies are interested in a more comprehensive, multidimensional analysis of their direct customers believing that this analysis will position them to be more competitive in developing new products and services. The comprehensive analysis is essential for this purpose, and companies should be commended for this analysis, but the difficulty is that such an analysis, no matter how comprehensive it might be, is not likely to set them apart from the pack (at least not for long).

The reason that this traditional kind of analysis may not yield a sustainable competitive advantage is twofold. First, their competitors are also likely to be gathering similar information from customers, so they may not have the superior knowledge they think. But an equally critical problem is that the information that a firm gets from direct customers is based on the customer needs and wants as they exist today, not on what they are going to be tomorrow. A downstream customer analysis is a great way to help determine those future needs. If a company knows where its customers' customers are going, it can get in front of the pack.

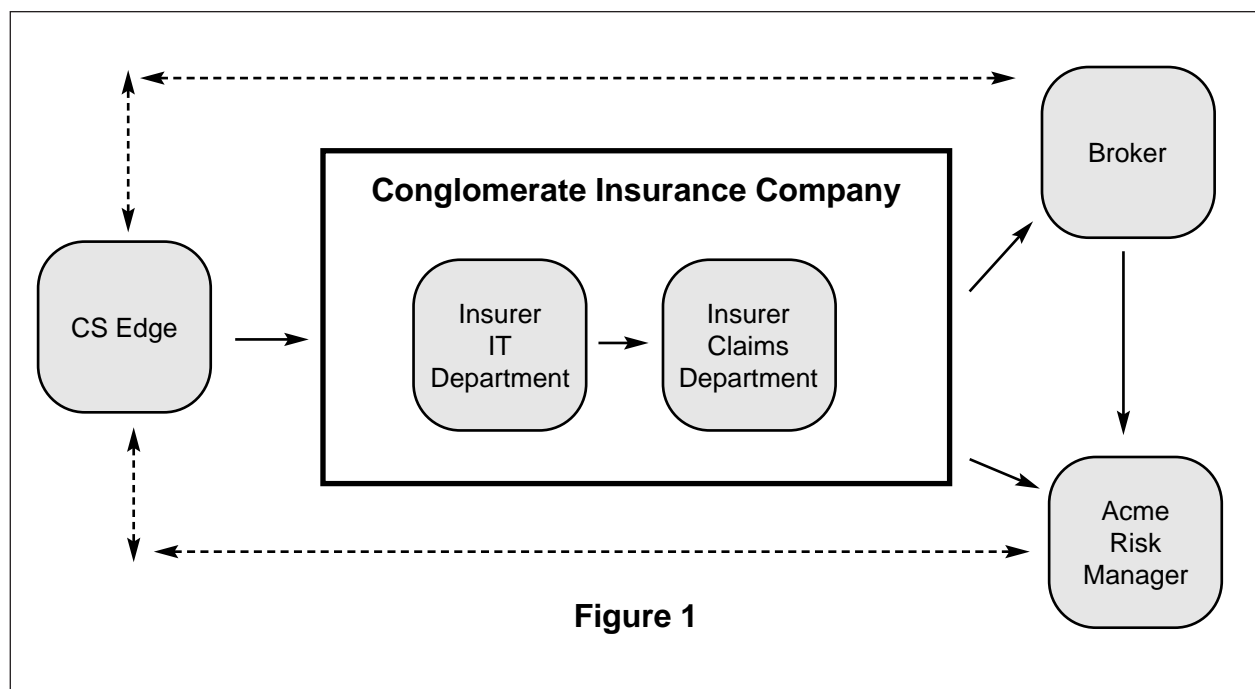
To better explain how this could work in practice, consider the following case. Conglomerate Insurance Company uses applications from its computer software vendor Cutting Systems Edge (CS Edge). For years Cutting Edge has worked with Conglomerate's IT Department in getting

the applications purchased and ready for use to serve Conglomerate's business units, such as its Claims Department. The Claims Department handles the claims and records the claims information using CS Edge software purchased and installed by its IT Department. Conglomerate's corporate customers (and their customers' brokers) purchase access to the claims information recorded by the Conglomerate Claims Department. In this case, Acme, one of Conglomerate's corporate clients, is using Conglomerate's claim services. This relationship is depicted in Figure 1.

Traditionally, CS Edge has worked with the IT Department in establishing the software functions. It viewed the IT Department at Conglomerate (and other insurance carriers) as its customers and tried to dutifully meet their needs. Unfortunately, this approach has cost CS Edge some clients because the needs of the Claims Department (or other business units in companies) were not always reflected in the feedback that it got from its IT contacts. At first CS Edge viewed this as a production problem. It couldn't get its program applications written and into the hands of its customers as quick as competitors. It tried to remedy this by paying incentives to its suppliers and own employees to speed up the process. This was costly and it still wasn't able to keep up.

What CS Edge learned was that the Claims Department at various companies now had more input into the purchase decision of the software and CS Edge, and CS Edge had not developed good intelligence on Claims Department needs. CS Edge has little experience in interfacing directly with the Claims Department.

After some reflection, CS Edge management has decided that what they really need is better information about their customers' downstream needs. CS Edge redefined its customer to include business units (like Claims Departments) and conducted research on the software



needs of the Claims Department. The results of this research gave them valuable information about ways that the software technology can be designed to speed up the claim service and reduce errors (leakage) in claims processing.

However, having been burned before, CS Edge was not content just having this direct customer information. It decided to delve deeper and learn what the developing needs are of its customers' customers in the area of claims. In this case, it wanted to learn what the corporate customers of Conglomerate wanted and what the brokers who worked with those customers wanted. What it learned was that there was a substantial gap between what its direct customers (the Conglomerate Claims Department) and its downstream customer wanted. In general, the Conglomerate Claims Department wanted software to enable it to provide better claim service. What the corporate customers wanted in addition to good claim service was good, real-time information that they could use to better track and identify loss trends, claim reserves, and claim activity.

For example, Acme Inc. risk manager was typical of Conglomerate's corporate customers and she wanted to have workers compensation claims information that she could use for the following purposes:

- To generate reports that he can use to present to his company's chief financial officer.
- To assist in generating incident reports to comply with the Occupational Safety and Health Agency (OSHA).
- To check on the status of claims and claim reserves.
- To identify trends in injury frequency and severity.
- To generate reports that would assist in loss control efforts.

These needs were completely off the radar screen in the research from Conglomerate. In fact, Conglomerate at the time saw little value in software that would assist with this. CS Edge's research also found additional information needs for the brokers of Conglomerate's corporate clients. Armed with this additional information, CS Edge worked with Conglomerate and similar client carriers to come up with software that

met the needs of Conglomerate and the future needs of Conglomerate established by its downstream customer analysis. In this way, CS Edge was able to get a competitive advantage through some means besides beating customers to the market through accelerated production time. This gave CS Edge a longer competitive advantage and increased the quality of the software. It also substantially reduced costs because it was doing less eleventh-hour debugging of the software.

You don't have to be a computer software vendor to take advantage of downstream customer analysis. Any company or department, and even individual, can use this approach. Find out how your direct customers are using the outputs you provide them in order to service their customers. By better understanding your customers' customers you can better satisfy your direct customer. This approach is not limited to external customers but can also be applied to individuals who are your internal customers. Consider finding out who they serve and asking your customers' customers what their changing needs are to see if you can add additional value in the process. ■

Be Very Wary of Best Practices and Case Studies

by Allen Weiss

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Editor's Note: This article originally appeared in the January 13 issue of MarketingProfs.com and is reprinted here with permission.

I was recently part of a meeting where the topic of discussion was a possible reorganization plan. But this was in a university, where—unlike in most companies—reorganizations don't happen very often (thank goodness).

As usual, someone suggested we do a “best practice” investigation by identifying how the other major schools were organized. The problem is, though, that the major schools are organized in several various ways, and there is no particular “best” practice.

Frankly, I've always thought that publicizing the “best practice” idea was simply a way to sell conference tickets and books. The problem, as I see it, is that it's not clear what it means for some practice to be “best”. Best at what? And by what standard? What's best for me might not be best for you, and so on.

But rather than relying on my personal opinion and conjectures about the problem at hand, we had the fortune of having a well-known research colleague who knew the data on organizational structures extremely well. If there really were a best practice, then it would have been borne out over thousands of careful empirical studies and observations. So we asked him what had been learned that we could apply right now.

Our colleague reflected on the question and said careful research shows that the best way to organize a department or business depends on . . . drum roll, please . . . what problem you are trying to solve.

Are you trying to solve conflicts between departments, or solve a problem with communications, and so on? The point is that it depends on your specific

organization and your specific situation. In short, the concept of best practice was nonsense.

If Johnny Jumped Off a Cliff

This story reminds me of a warning I received when I was young—your parents probably said something like this to you, too (after you did something stupid with friends)—“If Johnny jumped off a cliff, does that mean you should too?”

That idea is not too different from that of best practices and the case studies of other companies' successes. In fact, something might have worked well for one of your competitors or another company. But does that mean you should do the same, and will you get the same results? Following in the footsteps of other companies is called mimicry, and while it might be flattering, it is often very dangerous.

Let me give you the example of case studies. If anybody knows about case studies (and I don't mean those that show how to use a company's product or service—they are something altogether different), it is those of us who use case studies to teach M.B.A. students for a living.

When teaching with a case study approach, one thing you learn very quickly is that many case studies use sanitized data because companies don't want their competitors to know what they are really doing. (So whenever I see a case study being offered on the web, the first thing I always wonder is, would someone really want to tell his or her competitors what he or she is doing?)

The second, and more important, thing is that a case study is simply a single instance, or what one company in its usually very unique circumstance was able (or not able) to pull off.

Inductive and Deductive Learning

Nonetheless, many people adore case studies because of their “real-world” emphasis. Best practices and case studies are real world, to be sure (unless the data and results have been sanitized or fudged, of course). These people like to learn from the specific instance to the general . . . that is called inductive learning.

This isn't a bad way to learn, but it can be a long way to learn in this fashion, and can lead you down very suspect paths. Why? Because all you have are single examples. You really need more than one example (in fact, you need many, many examples) to develop a powerful and useful understanding of anything.

It's like watching the single example of Tiger Woods hitting a golf ball. Impressive, to be sure. But to develop your own swing, merely following his swing would work well . . . if you had the exact same talent, body build, tempo, speed, and had a host of other similar characteristics.

Other people like to think from the top down. First, you understand a general concept and then see specific examples. This is called deductive learning. This, in fact, is a shorter way to understanding, since general concepts can be most useful for a wide variety of situations, and the specific examples are just nice reminders along the way.

Warning Signs

The point is that an instance (a case study, for example) will get you only so far. So, if this how you like to learn, regardless of my comments, at least you should ask yourself the types of questions such as the following:

- **Do I have the same type of customers?** The subject of the case study or best practice might have a very loyal group of customers, or price-insensitive customers. But do you? These customers might be in totally

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Be Very Wary of Best Practices and Case Studies

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different industries, or have different backgrounds, that make them more or less susceptible to offers, and so on.

- **Do I have the same type of competitors?** The subjects of some case studies have no real competition that can bid away any advantages. But do you?
- **Do I have the same skills and financial resources in my company?** Often I see case studies about, say, what the *Wall Street Journal* has done to build subscriptions. It's an interesting story, but unless you have millions of dollars to spend, and a history of over 100 years, it is probably best viewed as just that—an interesting news item. So ask yourself if you really have the same skills and resources as the company in the case study or so-called best practice.
- **Is my company at the same level of market development?** Look at how easy it was to get venture capital money back in 1998 and how high advertising rates were on the web. People were thrilled to see case studies of how so-and-so got funding, and you really didn't need to know much about marketing to survive. But the common thing was that this was a new market, and in new markets most new firms can easily exist (e.g., a high tide raises all boats). But when the market matures, the entire game changes.

- **Do I have a similar cultural environment?** Some companies are successful because they have the right type of organizational culture, and their customers exist in the right type of culture.
- **Is the timing of the best practice or case study the same as mine?** Viral marketing got a huge boost when Hotmail grew by giving away its accounts for free and making it easy for people to refer others to a Hotmail account. Great . . . but that was at a time when e-mail was virtually unknown to many people. Viral marketing is a whole lot harder today!

In the end, case studies and best practices might be useful, and by no means am I saying to avoid them. But look at them with a very critical (even skeptical) eye. Make sure you don't do what another company has done unless you are in the same place. Focus only on the most general insights, since these are the only things you might use in your unique situation. (Of course, you can find most of these insights already on the MarketingProfs site.)

Remember, when you're facing some type of marketing problem, you can follow what another company does. But a far-better way is to figure out what works best in your own unique situation. ■

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