

The soft side of operations: Why good management skills matter



The soft side of operations: Why good management skills matter

Managing an insurance company involves a careful balancing of opportunities and risks, and as such, requires a considerable focus on financial metrics. The principal driving forces behind those metrics, however, are the people that staff the company. Keeping them motivated, ambitious and in the pursuit of self-improvement is the job of management.

INTRODUCTION

We in the insurance industry work in a business of numbers. We're surrounded by left-brain thinkers who cogitate endlessly to arrive at loss estimates and risk profiles and any other imaginable metric to help mitigate risk, drive premium growth and reduce operating overhead. We're a risk averse, analytical lot and sometimes, even, pessimistic. Like so many scorpions explaining their misgivings to so many hapless frogs, it's just our nature. The coldness of hard numbers, however, doesn't mesh too well with the need to truly inspire – a need met only by those exceptional organizations whose managers always seem to get the best from their employees. Accordingly, what I hope to convey in this article is the importance of “softer” management skills – skills often overlooked as we fix our focus on the bottom line.

MOTIVATION

Without recanting Maslow's Hierarchy of Human Needs, there's still a lot to be said for understanding human motivation. A few simple ideas can be distilled from the mountains of psychological literature that explore mothers and fathers and sex and relationships in painful detail without the need for a personal relationship with Freud or Jung. Really, the big picture matters most in management, and the big picture idea perhaps most useful – and least applied – in understanding what makes people tick is quite simple: that we all want to feel valuable. In our jobs, in our families, in our daily lives, the opportunity to create value and have our efforts perceived as having created value lies at the heart of what motivates all of us.

And what exactly is meant by the opportunity to create value? Herein lies an important distinction that many neophyte managers fail to make. In their zeal to be perceived as valuable themselves, ineffective managers can lose sight of the need to convey the sense of ownership over important projects that suffuse their employees with a sense of purpose, and in so doing fail to ensure that those whom they manage feel valuable. Alternatively, a good manager will present those in her charge with many opportunities to exhibit their skills, strengths and proficiency for the work at hand. The manager's challenge is to balance what needs to be done with what the employee wants to do – to balance work performed in the fulfillment of corporate objectives with work performed in the fulfillment of personal ambitions.

The obvious method of reinforcing employee conduct in the pursuit of such balance is financial compensation. Pay people well to do a job and they'll do it well, so goes the axiom. Many managers are late to realize, however, that money is not the single best motivator of job performance. In fact, two separate studies done some forty years apart provide a strong indication that purposeful work is unambiguously more important to employees when it comes to being motivated. Additionally, in working with management teams over the

The soft side of operations: Why good management skills matter

Being good at a job does not qualify someone to manage others in the same role. In fact, those who are not terribly proficient in the job role might be excellent managers. The key is to identify the particular skills an employee possesses and ensure they're properly assigned.

past twenty years, I've come to recognize several other classic management misperceptions that tend to derail organizations. They include:

- **CONFUSING JOB PROFICIENCY WITH MANAGEMENT PROFICIENCY.** How many times have you seen or heard of someone who is particularly proficient in their field “promoted” to a management role? The classic example of this is a top salesperson promoted to a sales management position. The challenge with this is that the two jobs require significantly different skill sets. While a great salesperson masters their product knowledge and understands how to present features and benefits, negotiate their way through an organization and close a deal, a great manager requires organizational skills, should understand the psychology of motivation and be able to assemble and guide a team toward a specific set of objectives. When the superstar salesperson takes the management job, they're prone to becoming overwhelmed at the prospect of having to manage other people's sales efforts while sacrificing their own, or failing to establish objectives, measure accomplishments and properly motivate the sales force. Being good at a job does not qualify someone to manage others in the same role. In fact, those who are not terribly proficient in the job role might be excellent managers. The key is to identify the particular skills an employee possesses and ensure they're properly assigned.
- **CONFUSING MANAGEMENT SKILL WITH LEADERSHIP ABILITY.** This brings up another classic misperception among management: the failure to differentiate between management and leadership. At the risk of oversimplifying, a manager is a skilled professional who applies best practices in the fulfillment of organizational goals, while a leader provides vision and guidance to both management and the rank-and-file who are charged with dutifully pursuing the good work of the organization. Yes, there are managers who are leaders, and leaders who are managers. There are also great leaders who are terrible managers, and great managers who are awful leaders. Leaders tend to step up and lead independent of the “approval” of others in the organization; managers are anointed by their superiors. Making this distinction is a critical part of determining organizational roles and responsibilities.
- **CONFUSING ACTIVITY WITH ACCOMPLISHMENT.** A great way to frustrate employees is to recognize someone who puts in long hours without recognizing those who simply get the job done. There's a perverted sense of productivity when someone routinely puts in extra hours and weekends to get their job done. Rather, such people may simply lack the training or time management skills necessary to get their jobs done in a reasonable amount of time. Surely, there are those whose ambitions motivate them to go above and beyond the call of duty; their efforts are commendable. There are others, however, who just can't seem to meet a deadline, who are always “busy” doing something, yet the timeliness, quantity and quality of their out-put is questionable. The unseasoned manager rewards this person's “loyalty” and demonstration of diligence by lauding the long hours they put in as a great

The soft side of operations: Why good management skills matter

The inspiring manager emphasizes the positive, while leveraging that message with a sense of personal fulfillment that derives from doing good work on behalf of the organization.

example to follow. They might do better, however, by replacing the unproductive workaholic with a competent professional who delivers.

- **CONFUSING MOTIVATION WITH INSPIRATION.** That step beyond simple motivation that separates great competitors from the rest of the pack is inspiration. A motivated staff member might simply have a tight deadline, fear for his job or want a raise. An inspired staff member is working for something larger than himself that goes beyond a personal agenda. The unseasoned manager offers motivating incentives rather than inspiring incentives, often with an emphasis on the negative implications of not performing. The inspiring manager emphasizes the positive, while leveraging that message with a sense of personal fulfillment that derives from doing good work on behalf of the organization.

GETTING THE BEST FROM OUR PEOPLE

Finding the right people, training them and indoctrinating them into the ways of an organization requires a significant expenditure of time and money. As such, it behooves us to seek ways in which we can help employees to perform to their fullest potential. Here's a quick story that illustrates this point:

Since joining the company several years earlier, John had been bounced from department to department as those who managed him found him to be too stubborn and opinionated for their tastes. While he was obviously smart, quickly absorbed new knowledge and did good work, his managers simply didn't get along with him, and routinely panned his work and belittled the effort, leaving John unmotivated if not completely bitter. In my assessment of John and his work, it was apparent he was being mismanaged, and his diminishing interest was a direct result of boredom brought about by the inattention of his managers to his personal needs. He simply was not being challenged.

During a routine staff interview, I asked John if he was bored and whether there was some other work he'd prefer doing. By simply talking to him about his own ambitions – something his managers had never done – I found out he had a profound interest in video games and enjoyed reading about the design and development techniques used to create them. Now, the company he worked for was far from a game developer, and finding a modicum of creative activity was in itself a challenge. However, upon further examination I learned that he also enjoyed coming up with marketing ideas, creating collateral materials including brochures, business cards and website designs, and sharing ideas with others regarding his design choices – something he had done as an aside rather than a primary job function. Recognizing that his personal interests could be leveraged to provide the company with a much needed skill, I recommended John for reassignment to the marketing department. As a result, the company was able to replace an outside contractor used to create marketing materials with John, providing considerable cost savings. All of the company's marketing materials now bear the mark of John's creative hand, and seeing his

The soft side of operations: Why good management skills matter

work so widely distributed in company mailings, at trade shows, in magazines and on the web provides a sense of satisfaction that no amount of money can replace. John finally feels important – as if he's adding value – and the company has retained an intelligent, enthusiastic employee while saving money in the process.

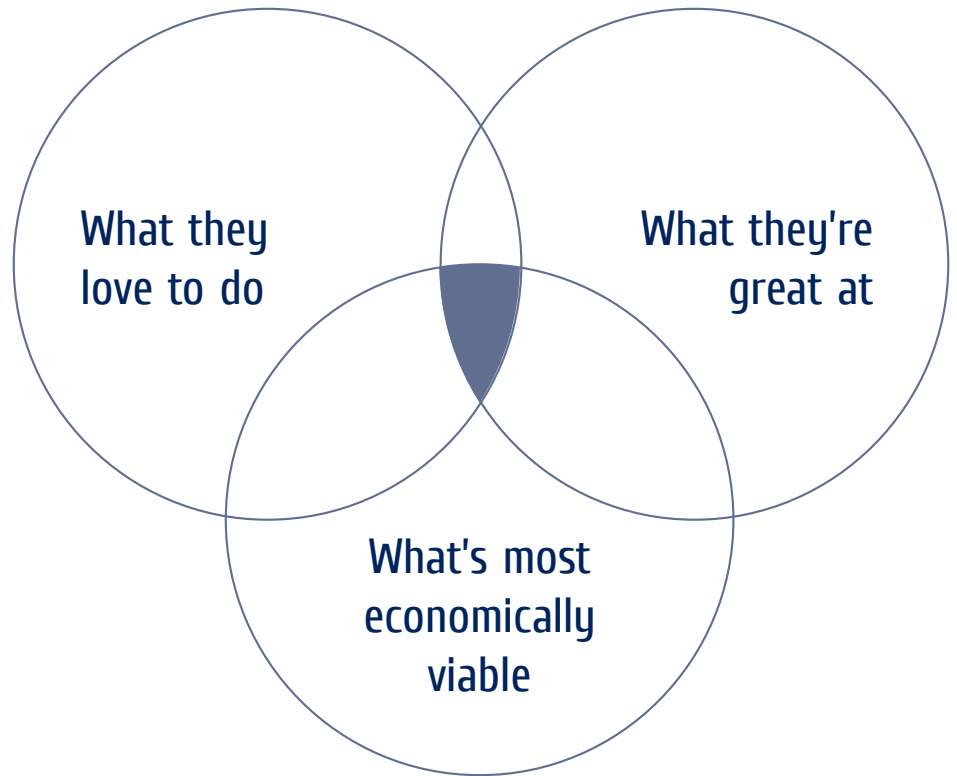
John reminded me of myself, many years earlier. In a seventh grade social studies class, I was underperforming. My class average was around 75 – a solid “C” student. My teacher, Mr. Schuster, pulled me aside after class one day after a particularly poor showing on an exam, and with a bluntness I soon came to appreciate, said, “You’re bored, aren’t you?” To which I replied, “Yes! This class is driving me nuts!” The drudgery of learning by rote about the history of the United States was about as exciting to me as getting root canal. Confirming his suspicions about me, he recommended me for the honors program – a fast track inter-disciplinary program usually reserved for straight “A” students – which I remained in throughout my junior high and high school career, and graduated a solid “A” student with honors and a university scholarship. How did Mr. Schuster know my poor performance was a result of boredom and not incompetence or laziness? He recognized potential! And that’s the mark of a good teacher. It’s also the mark of a good manager.

But how does a manager go about consistently merging a person’s abilities with their interests to help them wake up to their potential? Good managers have an acute awareness of the things that light up their employees. In fairness, work is not always fun and games, but a thorough understanding of the types of challenges that kick employees into high gear while best serving the organization is an important part of effective management. Lurking somewhere in any work effort, however mundane or monotonous, is a purposeful act. There are larger reasons that inform loftier perspectives that can keep a workforce that might otherwise feel burdened with “grunt work” happily humming along, finding meaning in the mundane. The making of meaning first requires the identification of how the work bridges company goals with personal ambitions. This is no easy task.

Good managers have an acute awareness of the things that light up their employees.

GETTING IN THE ZONE

In several recent books, perhaps most famously in Jim Collins’ *Good to Great*¹, is the idea of finding that “sweet spot” where what we love to do intersects with what we’re great at and what is most economically rewarding. Working in that zone is the aim of career-minded folks, and its discovery often a frustrating exercise of trial and error, job after job, industry after industry, year after year. A challenge to management, however, is not just helping employees to find that elusive zone, rather it is a consistent failure to acknowledge that it exists in the first place. Matching individuals’ sweet spots with company career opportunities brings out the essence of what drives them to perform. Managers who fail to make this connection miss out on a tremendous opportunity to gain substantial benefits from their employees’ newfound senses of purpose that keep them inspired and drive them to perform beyond expectation.



Matching individuals' sweet spots with company career opportunities brings out the essence of what drives them to perform. Managers who fail to make this connection miss out on a tremendous opportunity to gain substantial benefits from their employees' newfound senses of purpose that keep them inspired and drive them to perform beyond expectation.

The "sweet spot" of employee motivation is found at the intersection of what they love to do, what they're great at and what's most economically viable.

Unfortunately, management's approach to human resources often takes the shape of an old-school, early twentieth century mindset that labels personnel simply as instruments of production rather than important assets in which the company should invest in order to realize their full potential. The former attitude is shockingly prevalent; the latter, sadly, a rarity. Classifying people as anything less than important assets to be consistently nurtured means short-changing the organization, effectively cheating it out of the best parts of its human resources function.

CORPORATE VISION

Another great challenge to many organizations and their effective management is the failure to articulate and widely communicate a corporate vision. The importance of this idea goes to the entire notion of purpose. A company that fails to present a compelling vision will have a very hard time motivating personnel, and will typically attract job-seekers rather than career-minded professionals. To be sure, all companies need rank-and-file employees who "fall in line" and do a good job, however mundane. A competent manager, however, will help alleviate the drudgery of mundane work by (a) aligning the work with the corporate vision; (b) satisfying employees' personal ambitions by demonstrating how the work is a stepping stone to bigger things within the organization; and (c) mixing up the work to provide a little variety.

The soft side of operations: Why good management skills matter

Understandably, insurance companies often struggle to define themselves with something as lofty as a corporate vision. After all, they're part of the financial services universe and promote a simple idea: the exchange of relatively small amounts of premium dollars to protect against significantly larger losses. Where's the vision in that?

In communicating its own corporate vision, Progressive has done a wonderful job "productizing" insurance as if it were a tangible consumer good. In a recent television commercial, we see a woman carrying boxes that represent various coverages to a cashier who rings them up and shows how the total adds up to an amount that is less than what similar coverages would total from a competitor – enough, in fact, for our happy customer to buy a new pair of shoes! In thirty seconds, Progressive has equated insurance products with consumer goods and replaced the premium savings with something the happy shopper really wants – new shoes. As a result of this positioning, we consumers don't mind buying "mundane" insurance, because we feel we'll derive some greater benefit from making a smart purchase. The company successfully packages itself as something more than "just" insurance, speaking directly to the desires of the consumer. Contrast that with the typical insurance advertisement which instills fear, sending the message to "buy it or suffer great loss." Which is more empowering? Which consumer is more satisfied with their purchase, and which one buys begrudgingly? And which company's employees feel better about the work they do and the company they work for?

A company that fails to present a compelling vision will have a very hard time motivating personnel.

Similarly, a good manager "markets" the work to employees in a positive way that speaks to personal ambitions by providing a compelling vision. Managers intent on motivating by fear (of job loss, being passed over for promotion or getting little or no annual increase or bonus) are indeed motivating their employees, but they're also breeding a simmering resentment which manifests as excessive politicking, poor morale and, ultimately, employee turnover.

"Marketing" work to employees requires a type of communication that only comes with trust. In these days of political correctness and paranoia over offending others, we surely must tread carefully when communicating with staff, especially when it comes to sensitive topics. However, there is no trust building between manager and staff member absent some genuine intimacy. Intimacy in this context means empathic listening and thoughtful attention to employee concerns. It means opening up and inviting your staff members to open up as well. The deeper the trust relationship, the easier it will be to convey a sense of meaning in the work.

INSPIRING CULTURES

The ideas presented here are surely nothing new to many of us. As individuals, we may embrace all of them chapter and verse, continually immerse ourselves in the latest management literature and espouse Maslow and Drucker until we're blue in the face. Whether we're effectively implementing them is another matter entirely, and largely a function of the company culture in which we find ourselves.

Underpinning an organization's culture are the values shared among its constituents. When those values are strong, supported by company leadership

and truly embraced by staff, we find a far more cohesive workforce, working together to do something they believe in. Managers who fail to recognize the importance of such values fail to contribute meaningfully to the very foundation of their companies' cultures, and are generally unable to assemble and motivate effective teams. Managers who understand the importance of values and culture have a far easier time inspiring their employees to action.

MANAGEMENT'S RESPONSIBILITIES

To support an inspiring culture – one that is empowering enough to actually differentiate the company from its competitors – there are the inevitable things to do and things to avoid. An effective manager recognizes the talented but unproductive employee (like our friend John, above) who has been passed through an organization by other members of management – an organizational orphan so to speak – and demonstrates how much productivity can actually be gained by inspiring them. Conversely, ineffective managers first blame staff for shortcomings (“We need to hire better people”) rather than looking at their own attitudes toward the people in their charge. Often, such managers actually de-motivate employees by:

- **BEING DISMISSIVE.** Want to crush the enthusiasm of an ambitious staff member? Dismiss their ideas offhand as invalid or unworkable. Want to get the best from them? Immediately set a specific time and place to discuss such ideas, and let them know you're pleased with their initiative. Not all ideas are going to be good, but most ideas deserve a hearing. If you have staff members who reliably offer up new ideas, pay attention to them, as one might just be a winner.
- **BEING UNRESPONSIVE.** There is no greater hurt to put upon another human being than indifference. When that enthusiastic email from an eager staff member winds up in your inbox with a new idea, how quickly do you respond? Is your instant reaction to file it as junk or delete it, or do you ponder the email and respond thoughtfully? To say you don't have time to respond thoughtfully is an admission that you have poor management skills.
- **BEING NEGATIVE.** There's a place for negativity, but is your every reaction to staff members negative? Are you informing the culture of your organization with pessimism, or are you proselytizing and painting a picture of the brilliant future to which all of your employees are contributing, and thanking them for it? Your negativity kills creativity, enthusiasm and ambition. Stop it.
- **MICROMANAGING.** Having a say in every five dollar decision or running every idea by some ad hoc committee of confidants before giving a green light is poisonous to the organization and a great way to kill motivation. Support that feeling of importance staff members crave by giving them ownership over the work they do. Encourage them, build their confidence and watch them soar.

Having a say in every five dollar decision or running every idea by some ad hoc committee of confidants before giving a green light is poisonous to the organization and a great way to kill motivation.

The soft side of operations: Why good management skills matter

The unseasoned manager sees the annual review as an opportunity to offer criticism. As a result we find employees are often surprised and/or disappointed with the outcome. Effective managers provide continuous feedback, and use the review as a sort of recap of the year's activities.

- **DISCOURAGING DISSENT.** Another mistake managers make is discouraging dissent. Managers are not parents whose charge it is to keep their children in line and admonish them to do what they're told. Rather, managers should encourage a controlled but lively debate with staff members that brings forth the way things really are, rather than the way the manager would like things to be.
- **PROVIDING INFREQUENT FEEDBACK.** Consider the typical annual review, where manager and staff member sit together for perhaps an hour to discuss the staff member's performance over the prior year. This is often the only time during the entire working year that a manager provides constructive feedback regarding the performance of the staff member. While they may routinely sit together in staff meetings or discuss specific activities during the course of a given year, the type of information conveyed during an annual review is, unfortunately, reserved for the annual review. The unseasoned manager sees the annual review as an opportunity to offer criticism. As a result we find employees are often surprised and/or disappointed with the outcome. Effective managers provide continuous feedback, and use the review as a sort of recap of the year's activities.

Managers are guides who are responsible for the delivery of some stated output from a collection of staff members. That output should be delivered effectively (the correct job should be performed) and efficiently (the job should be done correctly), and the quality of those two measures – inasmuch as the manager hires, trains and motivates staff – is the best indicator of the manager's competence.

In addition to the direct effect of good management, the environment in which employees work profoundly impacts their sense of identity and value. What is it about your company's environment that invites people to work there? Are there artifacts that represent the company, and provide feelings of association simply by being in the office? An employee will look forward to coming into the office if (a) their identity is linked to their role in the organization and (b) there is some sense of attachment to the surroundings. Dreary, cheaply furnished workspaces invite employees who feel that they belong in such an environment. Well-lit, nicely appointed, creative workspaces (expense is not the issue – even IKEA has some nice furniture) invite bright, well-presented, creative employees.

THE COST OF POOR MANAGEMENT

Poor management is surprisingly often the principal reason behind employee turnover. Ensuring staff are appropriately challenged while maintaining a proper work/life balance is an important aspect of good management; running the workforce into the ground is always counterproductive. Sure, you might see some short-term gains, however, the long-term costs are significant. Consider that employee turnover, through either voluntary or involuntary termination, carries considerable costs, including:

The soft side of operations: Why good management skills matter

Ensuring staff are appropriately challenged while maintaining a proper work/life balance is an important aspect of good management; running the workforce into the ground is always counterproductive.

- The cost of the person who temporarily fills in for the vacancy;
- The cost of lost productivity due to learning curves, transition times or total absence;
- The cost of an exit interview and administrative work associated with terminating the employee;
- The cost of job-specific and professional (i.e., certifications, degrees, etc.) training invested in the employee;
- The cost of lost knowledge, skills and contacts;
- The cost of impact on unemployment insurance premiums, if the employee is eligible;
- The cost of losing customers who may be loyal to the terminated employee;
- The cost of losing other employees who may be loyal to the employee;
- The cost of recruiting a replacement, including advertising, recruiter fees and administrative costs; and
- The cost of training a replacement, including trainer and trainee time, training materials and facilities usage.

At the risk of stating the obvious, companies with low turnover have a decided cost advantage over those with high turnover. As such, keeping employees happy and productive is an important contributor to the competitiveness of an organization.

SUMMARY

“We don’t accomplish anything in this world alone...and whatever happens is the result of the whole tapestry of one’s life and all the weavings of individual threads from one to another that creates something.”

– Sandra Day O’Connor

The rewards of good management are many, yet we often find ourselves too busy doing the “work” of the organization to pay attention to the soft aspects of human motivation that define good managers. In reality, it’s greater attention to these aspects that enrich and empower employees, promote stronger organizations and alleviate much of the tedium associated with keeping employees motivated. A few ideas taken from this paper will go a long way toward building the cohesive workforce that separates mediocre organizations from industry leaders, including:

- **MAKING EMPLOYEES FEEL VALUABLE.** Speak directly to their sense of self worth and ensure the work they do is consistent with their identities.
- **AVOIDING CLASSIC MANAGEMENT MISPERCEPTIONS.** Confusing job proficiency with management ability, management with leadership, activity with accomplishment or motivation with inspiration are classic misperceptions neophyte managers hold.
- **RECOGNIZING TALENT TO GET THE BEST FROM YOUR EMPLOYEES.** Some of your employees may be hidden gems, toiling at work

The soft side of operations: Why good management skills matter

Dismissive, negative, unresponsive managers who micromanage, discourage dissent and fail to give frequent feedback are setting themselves up for failure.

they detest, when they could be better utilized doing something more in line with their own interests. Bear in mind the cost of employee turnover; reassigning an underperforming employee is a far better alternative than termination.

- **PROMOTING AN INSPIRING CULTURE.** Dismissive, negative, unresponsive managers who micromanage, discourage dissent and fail to give frequent feedback are setting themselves up for failure. Further, make sure the physical environment is empowering – a place staff members look forward to coming to.

A little effort will yield exceptional results, as your employees will feel better about the work they do, the company they work for and most importantly, about their role in helping to fulfill something larger than themselves.

REFERENCES

¹Collins, Jim (2001). *Good to great: Why some companies make the leap...and others don't*. New York: HarperCollins.

ABOUT THE AUTHOR

Rob Berg is a Principal and Director of Perr&Knight's Insurance Technology Group (ITG). In addition to managing Perr&Knight's internal development initiatives, Rob and the ITG team work with insurers to provide solution design, requirements gathering, vendor selection, business case development, project planning, risk assessment, business process design, IT governance, data management and staff augmentation services for their technology initiatives.

Over a career spanning more than twenty years, Rob has led or advised executive teams in the financial services, consumer retail, software and telecommunications industries. His expertise includes strategic planning, organizational design, project management and process improvement methodologies, including workflow design, analysis and simulation. Prior to joining Perr&Knight, Rob was Chief Operating Officer of SmartReply, a leading retail marketing firm that enjoyed three consecutive years of triple-digit growth during his tenure. Prior to SmartReply, Rob was Chief Executive Officer of Ecor Solutions, a New York-based IT consulting firm that counted Deutsche Bank, W Hotels and American Legend among its clientele.

In addition to holding a Bachelor of Arts in Economics from Stony Brook University and completing graduate work in technology management, decision theory and organizational behavior, Rob holds credentials from the American Society for Quality (Six Sigma Black Belt) and Stanford University (Advanced Project Management). He is a member of ISACA and a Senior Member of the American Society for Quality, a frequent speaker at industry trade events, and has been quoted or published in multiple industry trades including Best's Review, IASA Interpreter, InsuranceNewsNet and the Journal of Insurance Operations, of which he is Editor-in-Chief.

ABOUT PERR&KNIGHT

Perr&Knight is a leading provider of insurance support services and a strategic resource that companies utilize to reduce their fixed costs while increasing the efficiency and value of their insurance operations. Perr&Knight's insurance support services include Actuarial Consulting, Competitive Intelligence, Data Services, Insurance Technology and Regulatory Compliance.

CONTACT US

PHONE: 310.230.9339

E-MAIL: sales@perrknight.com

WEB: perrknight.com

© 2009 PERR&KNIGHT