

Managing Culture Change in an Industrial Organization: Insurance Services Office, Inc. (ISO)

Don McIver and Roy Nicolosi

Recent Alliance Roundtable meetings have been broadly concerned with effecting cultural change in organizations to achieve such desired goals as increased innovation. Take-aways from two recent meetings are included in this issue, along with articles on changing culture in industrial and academic organizations.

Larry Gastwirt
Director

At the Alliance Roundtable in August, Don McIver, Manager, HR for Insurance Services Office, Inc. (ISO) discussed his company's efforts to encourage innovation throughout the organization. The Information Systems & Technology organization in Pearl River, NY, in particular, has implemented significant organizational changes to help support the organizations' need to innovate.

ISO was established in 1971 as a non-profit corporation that provides information services to the property & casualty insurance industry. ISO's services include actuarial analysis, the development of policy forms and manuals, industry trend analysis, and consulting services. ISO provides its services to more than 2900 insurers, agents, brokers, regulators, and government agencies.

ISO made a significant transition in 1997 when it became a for-profit corporation. With that change, the desire and need to aggressively pursue new business opportunities and new sources for revenue growth evolved. ISO needed to operate in different ways, think and behave differently, to innovate and meet the for-profit challenge. To do that, ISO has implemented a multi-pronged approach involving Strategy (the plan to achieve long-term objectives), Process (how work is done), and People (the employees of ISO).

ISO's dramatic change efforts have been spearheaded by a new senior management team, which includes new President, Frank Coyne, and Sr. Vice President/CIO, Roy

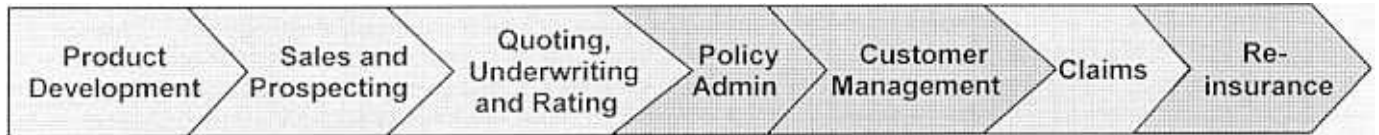
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Nicolosi, one of the co-authors of this article.

Strategy

In formulating a new corporate strategy, ISO needed to establish a compelling vision for the future – a vision that articulated not only where the company wanted to



The Value Chain

be, but also articulated the values the company holds. The new value and mission statements, which have been placed on walls throughout ISO's offices, clearly communicate to all employees a fundamental change in how the company conducts business. Employees can clearly see that the focus has shifted, and that ISO is an exciting, new company. The new value and mission provide a clear sense of purpose and a focus that was missing in the past.

Contrast ISO's old mission statement.

Old Mission/Vision Statement

To be the premier value-added resource for all needed property/casualty information. ISO will provide the information and related services desired by its customers on a cost-efficient and financially sound basis.

with the new, two-part one:

New Vision Statement

To be the recognized leader in providing information-based products and services of such value they are an integral component of our customers' critical processes and decision-making.

New Mission Statement

- Provide risk decision products and services enhancing the capability and productivity of our customers in functions critical to their success.
- Attract and retain innovative and creative people to an encouraging work environment offering challenging and financially rewarding career opportunities.
- Reward our shareholders with long-term value creation.
- Develop and distribute products and services through state of the art technologies.

- Operate in domestic and global markets – serving customers where we can profitably deliver value.
- Invest and align to build and sustain best-in-class capabilities to develop products and services.

As you can see, the new vision/mission statements

offer a much more compelling vision for ISO's future.

To implement the vision/mission, ISO worked with Andersen Consulting to implement a new strategic planning process. The new process focused on customers' key needs, called The Value Chain, and identified opportunities where ISO can provide new products and services to meet those needs. The analysis included a self-assessment of ISO's capabilities, industry analysis and competition, and the identification of new revenue opportunities. The new process also encouraged a closer look at products and services that the company should divest. This strategic analysis has resulted in a better allocation of resources to enable maximum focus on high value products and opportunities.

Process

A key component of ISO's business processes are the ability to deliver information electronically using advanced information technology. The Information Systems & Technology group at ISO has implemented significant process improvements to enhance the development of new information systems.

A significant process change involved the implementation of The Development Highway, a business process that fosters greater partnership and accountability for IT and business functions that are responsible for the creation of new information systems. The Development Highway involves the creation of a core, multi-discipline team that is responsible for the development of new software. The project team is required to pass through a series of tollgates, which are status review sessions with a senior management steering committee, which ensure that the project is on-track. At these review sessions, the project is given the green light to proceed if it's on track, put on hold, or cancelled.

Culture Change (Continued)

The Development Highway process represents a significant change in how systems are developed at ISO. Since there is greater accountability for a project, systems are being developed more quickly, on budget, and with higher quality. The new process has also forged greater alliances between IT and business areas.

The IT organization has also enhanced its customer support processes by centralizing the people and technology resources necessary to fix systems problems. A new "Integrated Support Center", equipped with state-of-the-art system monitoring capability, is staffed with technologists from all disciplines. This means that an expert can handle customer problems almost immediately, since the necessary staff is readily available. This has all but eliminated the time delaying need to "track-down" the right person to help, particularly during the critical system launch phase.

Another significant change has been ISO's willingness to pursue acquisitions and develop partnerships. The company has long been the recognized leader in providing property casualty insurance information, but that fostered a "no one knows better than us" attitude. Now, there's recognition that in order to innovate and grow, the company needs to partner with others to develop new products and services. New leadership and a new vision have driven this change.

People

The IT group has implemented a number of programs to further develop the skill level of staff, and encourage greater innovation. In late 1999, the company implemented a staff development program, called Top Grading, which involved ranking all staff against a list of key skills identified by senior management. The skills identified were deemed as those critical to the organizations' success, and included Teamwork, Technical Skills, Communication Skills, and Project Leadership, among others. Every employee was ranked on a 10-point scale for each skill, with a total

score being determined for each individual.

Based on the total score, the employees were then ranked A, B, or C. For A's, which represented 20% of the population and the organization's best employees, a number of retention programs were implemented. These programs included salary adjustments, certification programs, and key project work. "A" players also receive consideration in special programs such as project bonuses and other incentives.

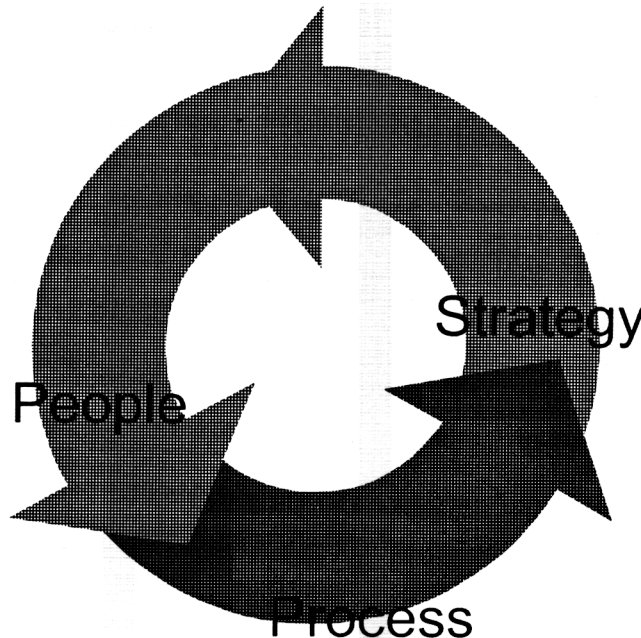
For B's & C's, detailed training and development plans were put in place to help them improve skill levels. After one year's time, these employees will be reassessed, with the hope that they will move towards the "A" level. C players who do not improve their skills are either reassigned or asked to leave the organization.

Hiring more "A" players has become the focus of recruiting efforts. The hiring process has changed to a team approach where teams of A players conduct interviews, the

theory being that A's hire more A's. When a hiring need is determined, the teams work with Human Resources staff to identify the best candidate for the position.

The organization has also implemented new training programs designed to aid employee skill growth. These programs include Team Development training, financial awareness, personality style assessments (Myers-Briggs/DISC), and process improvement.

ISO has also implemented incentive programs to reward innovative ideas. Two new programs, ISO Ideas and ISO Savings, have been implemented to encourage employee input to improve profitability. ISO Ideas provides staff with a 1% share of first year revenue, up to \$10,000, for any new product idea that is implemented. The program has led to the collection of numerous innovative product ideas that the company is actively considering.



The ISO Savings program provides incentives for cost-savings ideas. Again, employees share in a portion of money saved, up to \$10,000. This program has also yielded numerous cost-saving ideas.

Results

The results of these efforts are impressive. The new product development backlog has been significantly reduced, which means that new projects are started more rapidly. More projects are coming in on time, with higher quality, and within budget constraints. Customer satisfaction is higher, and employees are proud of their hard work and accomplishments.

The turnover rate of "A" players is 10%, half the corporate turnover rate of 20%. The turnover rate for C players is nearly 30%, which means the company is losing poorer performers at a higher rate than good performers, and striving to replace departing C's with A players.

Along with the change in culture, and in an effort to reinforce it, the name of the organization has been changed to — simply — ISO, no longer the Insurance Service Office.

The future for ISO looks bright. Revenues continue to grow and there are many opportunities on the horizon.

Donald McIver has over 13 years of Human Resources experience focusing on recruiting, training, compensation, and employee relations. Mr. McIver worked at ISO for over 11 years, most recently as Group Manager, Human Resources. He is now Vice President of Human Resources with The MWW Group, a public relations firm based in NJ. He possesses an MBA from Iona College, and a BA from Montclair State University.

Roy Nicolosi is currently Senior Vice President and Chief Information Officer for ISO. Prior to this position, he worked at GTECH Corporation as Chief Information Officer, in charge of all engineering hardware and software development. Roy is a graduate of Stevens, BE Stevens 1970, MMS Stevens 1973. Throughout his career, he has focused on developing management process changes and project management techniques and tools.

For information on Alliance activities
and membership, contact
Dr. Larry Gastwirt:
lgastwirt@aol.com