

Aflac

Finance



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AFLAC, incorporated offers all different types of insurance including life, health, and accident insurance as being their top sellers. The insurance industry can often be a competitive one.

There are many insurance companies, in the past few years, that have been greatly effected by the current recession in the United States. Some insurance companies needed government intervention to help them through this. AFLAC, just like other big companies out there, have gone through many problems. Building the House of Quality and using Deming’s five points will help this company succeed and train their employees better. Using flow charts, check sheets, and tree diagrams will show the employees the right way to do their work and can continuously improve at their work.

Consultants will be overall most satisfied with these types of practices. II.

Company History Aflac, also known as AmericanFamilyLife Assurance Company, was founded in Columbus, Georgia in the year 1955. It was discovered by brothers John, Paul, and William Amos to sell life, health, and accident insurance (“ Aflac Incorporated History). ” Competition was very fierce back then and the little company did poorly. In the 1940s and 1950s,

there were many cases of polio scares and had spawned insurance coverage written specifically for this disease.

It was then that Aflac decided to sell cancer insurance (“ Aflac Incorporated History). ” In the year 1958, they introduced the world’s first cancer insurance policy. This wound up being a big hit for this company and had written over a million dollars in premiums and had expanded over state lines. This company grew very quickly. It grew very quickly in the decade of the 1960s. They developed a selling approach that was much clustered. This approach worked as employees were willing to make payroll deduction for premiums (“ Aflac Incorporated History). ” By the year 1971, this company was booming in over 42 states.

In the 1970s, John Amos then decided to expand his company outside the United States. This started by Amos visiting the World Fair in Osaka and he then decided to market this idea to the Japanese (“ Aflac Incorporated History). ” The Japanese healthcare plan left them exposed to considerable expense from cancer treatments. After four years, the company finally got approved to sell health insurance overseas to the Japanese (“ Aflac Incorporated History). ” It was basically approved because after research, it would have not threatened existing markets and the Amos’s found notable backers in the insurance and medical industries.

Aflac became one of the first insurance companies to enter the Japanese market, and it had an eight year monopoly with the Japanese (“ Aflac Incorporated History). ” Aflac has sought to supplement its cancer insurance by introducing new products and improving old ones to encourage the

policyholders to add on or trade up (“ Aflac Incorporated History). ” The company boosted its name recognition in the United States from two percent to fifty six percent primarily through advertising, including the slots throughout the 1998 Winter Olympic Games and NASCAR races (“ Aflac Incorporated History). Accident and disability premiums surpassed cancer premiums in the United States for the first time in the company’s history in the year 2000. The popular Aflac duck made its first appearance on television in the year 2001 for a commercial for accident insurance (“ Aflac Incorporated History). ”

III. Company Financials With every company, the financial portion of the company will vary from year to year. AFLAC, which is one of the most trusted insurance companies and has the most popular commercials, has been doing very well over the years as an insurance company.

This company has annual sales presently at over eighteen million dollars (“ Aflac Financial Reports”). Ten million dollars of the eighteen million dollars in revenues were solely from the sales of the employees that worked for this company. This company is a publicly traded company located on the New York Stock Exchange (NYSE). Over the years, this stock price has gone up and up every single year. It is now priced at fifty five dollars per share, which shows how successful this company has been over the years.

Below, is a chart that shows Aflac’s stock price from June of 2009 to April of 2010 (Business Source Complete). It shows that in June of 2009, it was price at thirty three dollars per share. It had a significant setback right before September where it dropped under thirty dollars per share (Aflac’s Financial Reports.)” It has since resurged in the past ten months to be up to fifty five

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dollars per share. It shows that Aflac has not been affected by the recession, which is ongoing in the United States. IV. Internal Factors & External Industry Analysis The insurance industry is a very competitive industry.

AFLAC's main concern is the customer service problems and that the agents are not trained enough to help out the various customers the company deals with. AFLAC specializes in accident and health insurance mostly, with the option of life insurance as well (Business Wire). The industry as a whole is very successful. The most popular aspect that most people will recognize about this company is their memorable commercials featuring the AFLAC duck (Price 1). The duck's familiar quack and voiceover by Gilbert Godfrey immediately shows that it provides worker's compensation to its employees (Price 1).

There are definitely way more strengths than weaknesses in this particular company. The strengths of this advertisement are its catchiness and cleverness of the advertisements design rather than its theme. The main theme of the advertisement should have gone in a more interesting way of the necessity of the worker's compensation as part of one's health insurance package (Price 1). However, the nature of the duck in AFLAC's commercials makes the surface theme of the duck recognizable and that's why AFLAC's commercials with the duck are so popular and has been a big reason why AFLAC has been a solid company over the years.

Moreover, in the strengths of this company, it also has to do with the sole person that the customer is dealing with (Wiki wealth). The main strength of this company is the agents that are hired to work with the various

customers. If a customer has a great representative, it has come apparent that they would recommend the company to all their friends and family. Personally, having a good representative will keep the customer more calm and know that their insurance claims will be paid in a more efficient time period. In addition, having an agent that can answer all of the customer's questions and concerns is a big thing as well.

If the agent is intelligent enough to answer all of the inquiries the customer may have, the customer will overall have a great experience and would feel that dealing with a company like this would be overall a great experience for that individual. Many believe that the insurance industry can be a profitable one. The industry in itself can be a very successful one, but also can be risky at times. As many might already know, insurance involves pooling different funds from many uninsured entities in order to pay for relatively uncommon, but severely devastating losses which can occur to these entities (“ Industry Handbook”). In the United States, the Gramm-Leach-Bliley Act of 1999 was put into legislation. It stated that banks, brokerages, and insurance firms can come together to offer the customers a range of services (“ Industry Handbook.)” In the insurance industry, this had led to an outrage of “ Merger and Acquisition” activity. In addition, a majority of liability insurance companies underwritten in the United States has been through big firms, which has been scooping up all different insurance industries (“ Industry Handbook”). Insurance can also have some positive and negative effects on society and the economy as well.

These are effects that are important and have to be monitored closely (“ Insurance”). One negative about it is that it can increase fraudulent acts by <https://assignbuster.com/aflac/>

individuals (“ Insurance”). People will try to use insurance companies to try to get money out of them even if nothing extraordinary happens when they need money. On the other hand, it can help many families and individuals prepare for catastrophes and the effects of this on households and societies (“ Insurance”). As one can see, the risk of insurance companies is that there can be access to fraud by individuals trying to exploit these companies for money.

On the other end, this is a great way just in case a catastrophe happens in a family such as a deadly car accident, untimely death, or anything of that circumstance. Other factors need to be considered as well when talking about the internal and external aspects of this industry. Demographics is an important factor that needs to be considered. It can affect the sales for insurance, particularly the life insurance aspect (“ Industry Handbook”). As people become older, they tend to rely more on life insurance products for their retirement.

In more recent years, the insurance industry has made great headway in offering investments and savings type insurance products for their benefit (“ Industry Handbook”). The Global Insurance Industry is also an important factor when it comes to insurance companies. The industry has to deal with the many fluctuations of the interest rates established. Global insurance premiums grew by 3.4% to reach 4.3 trillion dollars (“ Reuters”). Insurance companies do invest in much of the collected premiums, so the income generated through these premiums is highly dependent on these interest rates (“ Reuters”).

For the first time in the past three decades, premium income has declined in inflation adjusted terms, with non life premiums falling by 0.8% and life premiums falling near 3.5% (“Reuters”). It has become apparent that this industry (insurance) is exposed to the global economic turndown on the assets side by the decline in return on investments and on the liabilities side by a rise in insurance claims (“Insurance”). It shows that AIG, a similar insurance company just like AFLAC, was bailed out in September of 2008 and has had an enormous effect on AFLAC’s business and the insurance industry as a whole.

The recession and the financial crisis that has gone on throughout the United States the past few years have shown that the insurance industry is sufficiently capitalized (“Insurance”). The vast majority of the insurance companies have had enough capital to survive, with only a few insurance companies asking the government for help. AFLAC was one of the companies that did not to have the government intervene into their company. The Five Forces Model, which originated from Michael E.

Porter’s book, “Competitive Strategy: Techniques for Analyzing Industries and Competitors,” has become a frequently used tool for analyzing a company industry structure and corporate strategy (“Porter’s Five Forces Analysis”). These five aspects include Threat of New Entrants, Power of Suppliers, Power of Buyers, Availability of Substitutes, and Competitive Rivalry. First, the threat of new entrants is the first aspect in Porter’s Five Forces Model. In explaining this, it most nearly means that the easier it is for new companies to enter the industry, the more cutthroat the competition will be (“Porter’s Five Forces Analysis”).

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Barriers to entry can limit the threat of new entrants. When it comes to the insurance industry, it is not like any type of person or entrepreneur cannot come along and start an insurance company. The threat of new entrants lies within the insurance industry itself. AFLAC has been fearful in the past of being squeezed out by the big players (“ Industry Handbook”). Another threat for AFLAC may be the other financial services companies entering the market (“ Industry Handbook”). This might cause a direct threat to AFLAC and often hurt them in the long run.

If a bank or investment company offered insurance products, it would directly hurt the success of AFLAC. The second aspect of this model is the Power of Suppliers. This most nearly means how much pressure suppliers can place on a business (“ Porters Five Forces Analysis”). In the insurance industry, there can be an immense amount of pressure. The suppliers of capital might not pose a big threat initially, but the threat of suppliers luring away human capital does pose a big threat (“ Industry Handbook”). In AFLAC’s case, they do not want suppliers luring away their human capital because they would lose a lot of business.

Also, if this had happened, government intervention might have to happen if they were not doing well financially. For example, if a talented insurance agent is working for a smaller insurance company, there is a legitimate chance that they will be enticed away from the smaller company moving to a larger one. In AFLAC’s case, there have been a few individuals that have gone from smaller insurance companies to the more, popular large ones to move into a particular market that they are comfortable in. The power of suppliers has a huge effect on AFLAC and needs to be monitored closely.

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The third aspect of this model is the Power of Buyers. This is just the opposite of the Power of Suppliers. In this case, this most nearly means how much pressure customers place on a business (“Porter’s Five Forces Analysis”). The customer can hold substantial power when it comes to insurance companies such as AFLAC. A regular individual does not pose a threat to AFLAC when it comes to the power of customers. But, what do pose a threat to AFLAC, is the large corporate clients that have more bargaining power than AFLAC (“Industry Handbook”).

Just like airlines and pharmaceutical companies pay lots of money in premiums every year and insurance companies try hard to get high corporate clients (“Industry Handbook”). AFLAC tries this approach so they can get more for their dollar and be successful in different ways of the insurance industry. The fourth aspect of this model is the availability of substitutes. If someone who uses AFLAC as an insurance possibility and the cost of switching is low, this could cause a potential serious threat to AFLAC (“Industry Handbook”). This aspect is a pretty straightforward one as there are various substitutes in the insurance industry.

Most large insurance companies, such as AFLAC being one of them, offer similar services. Whether it be automobile, life, home, and health insurance, chances are that the competitors can offer similar services. Companies focusing on niche areas usually have a competitive advantage, but this advantage depends on the size and whether there are barriers of entry available (“Industry Handbook”). AFLAC is one of these companies that do focus on the niche areas of the industry and have the competitive

advantage. It seems that they are going to be fine when it comes to other companies offering substitutes.

The fifth and final aspect of this model is the competitive rivalry. This is the most important part of the model. This describes the intensity of the various companies in the insurance industry (“Porter’s Five Forces Analysis”). It is becoming a very highly competitive industry. The difference between one insurance company and another is not all that different (“Industry Handbook”). As a result, it seems that insurance has become a commodity, which means an area in which the insurance company with a low cost structure, greater efficiency, and good customer service will beat out the competitors (“Industry Handbook”).

AFLAC has the historical characteristics of having a low cost structure and good efficiency, but the customer service is still “Up in the air.” In the long run, I believe we may see more consolidation in the insurance industry. Other companies may prefer to take over or merge with smaller companies, but AFLAC’s approach is to advertise and market with the AFLAC duck and so far it has been a success over the years these commercials have aired. V.

Product or Service for Improvement (House of Quality, DMAIC) There is not one company out there in the world that cannot improve.

Even if you are considered a “perfect company,” there will always be room for some type of improvement on a product or service. In AFLAC’s case, they have been a successful company, but at the same time, they have many concerns within their organization. Within AFLAC, there are multiple changes that could be made to their product or service. The most important thing to

fix in their system is that it seems that the company does not pay the customers claims in an efficient amount of time. This can mean a certain wide of things, but more importantly needs to be fixed before this company loses more and more customers.

Paying the claims on certain individuals and families have been delayed for as long as two years, which seems to be an unreasonable amount of time. Moreover in this, it seems the customer service is lackluster and needs to be improved as well. Building an improvement plan so this company can get better reviews and even improve financially is important. I believe the first aspect of this is to build what is called a House of Quality. The House of Quality is “ A set of matrices used to relate the voice of the customer to technical features and production planning and control requirements (Evans, 294). The House of Quality relates the attributes of the customer to the technical features. This requires six basic steps needed to be successful. When it comes to AFLAC, building a House of Quality will be reliable in their organization. The first step of this model is to identify the customer attributes. The manager must apply Quality Functional Deployment, which is used to ensure customer requirements throughout the product or improvement design process (Evans, 293). It is vastly important to use the notion of “ The voice of the Customer” so it is not misinterpreted by any type of designers or engineers.

For AFLAC, I have developed three customer attributes that AFLAC deals with. The first one is the basic attribute, which also can be called the “ Must haves”(“ AFLAC Attributes”). These are expected by the various customers. The second attribute is the “ Linear Satisfiers” (“ AFLAC Attributes”). If this

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company uses this attribute more effectively, this will increase the customer satisfaction, which at some points, is lacking. The third customer attribute is the “ Energizers” (“ AFLAC Attributes”).

This means that it is not expected or required, but creates high customer satisfaction when present and can make the difference in choices for the consumer. For AFLAC, the different type of customers might include single individuals, families, working unions, and government officials (Evans, 295). Therefore, there are many classes that need to be considered. The second step of this model is to identify the technical features that are necessary to meet the requirements of customers (Evans, 295). These technical features expressed the language of the designer and engineer.

These are the people that form the basis for design and service activities in an organization. In AFLAC, these must be measurable to track the positive or negative results and the output will be compared to the goals of AFLAC. The roof of the House of Quality (Evans 297) shows the interrelationships between any pair of technical features. These technical features can include the premiums, fees, allocated income, less claims, and less operating expenses. They are classified into either a very strong relationship, strong relationship, and a weak relationship (Evans, 296).

The third step of this model is to relate the customer attributes to the technical features. The customer attributes is applied to using Quality Functional Deployment. The customer attributes is to have a better “ experience” than they have had in the past with AFLAC. As set up on the House of Quality chart, the customer attributes are listed down the left hand

column with the technical features listed across the top (Evans, 296). Using a relationship matrix is the most effective way to show this. AFLAC's customer attributes must show whether the final technical features adequately address the customer attributes.

These technical features can affect several of the customer attributes. " The lack of a strong relationship between a customer attribute and any of the technical feature suggests that the attributes are not being addressed and that the final service will have difficulty meeting customer needs (Evans, 296). If the technical feature does not match customer attribute, then the designer might have missed something important. " For instance, in AFLAC the " Voice of the Customer," all input is appreciated with expert experience, customer surveys or overviews, or any type of controlled experiments (Evans 296).

AFLAC should implement customer surveys and overviews to see what the customers have to say about their experience. Within many companies, especially restaurant establishments, they give out survey cards and rate the service of the waiter and restaurant staff. AFLAC should implement this and read over these surveys so at each AFLAC branch, they can see what they are excelling in and what they are struggling in. This would be beneficial to the company as a whole and to the customers as well. The next step of the House of Quality is evaluating the competitive products or services.

This evaluation helps highlight the strengths and weaknesses of the problem. In AFLAC's instance, the strengths of this company is that they have a strong financial strength within the company, the coverage it provides, the

portability, the cost, and the direct payment (Hartman 1). The weaknesses include delays on paying customer's claims, poor customer service, and more concerned about processes than progresses (Hartman 1). This step enables the designers to seek the opportunities for improvement. This links Quality Functional Deployment to a company's strategic vision and allows priorities to be set in the design process (Evans, 297). " Some customer attributes become key selling points and help establish promotional strategies. The next step is the evaluation of the technical features of competitive aspects and development of targets. This step is usually accomplished through internal testing and translated into measurable results (Evans, 297). With AFLAC, these evaluations are compared with the competitive evaluation of customer attributes to find inconsistencies.

The inconsistencies with AFLAC is their customer service. Targets for each technical feature are set on the basis of customer importance ratings and the existing products strengths and weaknesses (Evans, 298). The final step in building the House of Quality is selecting the technical features to be deployed in the remainder of the process. This means " identifying the characteristics that have strong relationships to customer needs, have poor competitive performance, or are strong selling points (Evans, 297). " The cost and direct payments with AFLAC are the proper actions and controls to maintain the voice of the customer.

Also, on the negative side, the poor customer service and the delay of paying customer claims are critical as well and do need the attention. The House of Quality shows the six steps and how they are to be evaluated in sequential order. They will either be a very strong relationship, strong

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relationship, or weak relationship. We have to focus to make sure AFLAC improves its processes. It is important AFLAC improves as a company as a whole or could face the financial crisis as AIG did in September of 2008. They need to improve on what they have been criticized for in the past.

Using a six sigma approach would be beneficial to their improvement plan. This is an approach to measuring product and service quality (Evans, 93). “ The late Bill Smith, a reliability engineer at Motorola, is credited with originating the concept during the mid 1980s and selling it to Motorola’s CEO, Robert Galvin (Evans, 94). ” He wanted to improve product and service quality in his organization and wanted to achieve six sigma capability by 1992. The key concepts of this was think, focus, emphasize, ensure, provide, Create highly qualified improvement experts, and set stretch objectives for improvement (Evans, 94).

Today, Six sigma is used as a quality framework and in service organizations. As part of the improvement plan, AFLAC needs to implement a six sigma approach called DMAIC methodology. “ This is a standard problem solving approach used in Six Sigma (Evans, 264). The DMAIC stands for define, measure, analyze, improve, and control. AFLAC can use this methodology to help solve their problem of not dealing with the insurance claims in an efficient amount of time and the customer service that goes along with it.

It is explained that the six sigma project selected is dealing with the insurance claims in a sufficient amount of time without any delays. Therefore, the first step is to define the process that needs to be solved or needs “ help. ” The problem must be described in operational terms. As an

example for AFLAC, this company has history of poor customer service and not paying the claims in time. Therefore, this six sigma project is to improve customer service reliability. Along with this problem, shows that the various insurance agents that are employed with AFLAC seem to not be motivated enough to satisfy the customer.

In most organizations including this one, the main job is to satisfy the customer and make sure he or she got the experience with the company and is walking away happy with the customer service. This drills down to a more specific process which is called project scoping (Evans, 264). The customers must be identified that have the most impact on this negative performance, errors or the customer complaints. This phase also needs to address project management issues. In a more timely effort, these AFLAC agents may need some motivation whether it be more of an incentive or extensive training practices to make sure every customer walks out happy.

The next phase is the measuring phase. This phase main focus is on how to measure the internal practices of the problems (Evans, 265). It does require an understanding of relationships between process performance and the value of the customer. In AFLAC, every customer is important. Once this is understood, collecting good data, observation, and careful listening should be implemented (Evans, 265). With AFLAC, the high managers and CEO should be doing this type of aspect of this cycle. They should be doing the observation part of every AFLAC branch. Hiring a team of auditors would most likely be the smartest idea.

The careful listening part should be by the various AFLAC agents. The auditors and CEO should be giving the individual feedback and the agents should listen on how they can improve their working practices. The third phase is the analyze phase. A huge flaw that happens in problem solving teams and approaches is a lack of emphasis on the analysis portion (Evans, 266). A lot of the time, companies just want to jump into a solution and miss the step of understanding how serious the problem is and identifying where it is coming from. This phase focuses on why defects and errors occur in the organization.

The AFLAC auditors need to conduct experiments to be one hundred percent sure that the scope of the problem is accurate. These experiments generally consist of formulating some type of hypothesis and then collecting data and analyzing it (Evans, 266). AFLAC needs to implement a statistical thinking tool. This tool is a philosophy of learning and action based on three principles. These principles include all work occurring in a system of interconnected processes, variation exists in all processes, and understanding and reducing variations are keys to success (Evans, 323).

Analyzing statistical thinking in AFLAC would be an immense of help regarding not paying the claims in a timely manner. Variation must exist in this process and AFLAC does not have variation in this type of process. This is why statistics is an important part of the Six Sigma training. Also, what also needs to be analyzed in AFLAC is to see if their also is a computer problem regarding the claims not going through their system. AFLAC pays all their claims online and doing a computer simulation of all computers in the offices would scope out if there is a possible problem with the computer.

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Once the cause is determined, the analyst, auditors, and teams needs to generate ideas for removing or resolving the problem and improve the performance measures (Evans, 266). One of the difficulties in this section of the DMAIC phase is the natural instinct to prejudge ideas before thoroughly evaluating them in full detail. “ Effective problem solvers must learn to defer judgment and develop the ability to generate a large number of ideas at this stage of the process, whether they are practical ideas or not (Evans, 266). AFLAC needs to improve their customer service and paying their claims in a timely fashion. One idea that needs to be implemented is to have an online website to file the claims to AFLAC. This would be a big convenience to all AFLAC’s clients. On the website, it should also have a spot where you can track the status of your claim. This would save AFLAC lots of money and it would cause less hassle on the customer service line of all the customers asking if their claim has been paid or not.

Switching it to online would be more efficient, save money and also would be easier to keep track of every claim. It is way more efficient being on the computer and being well organized than searching through a person’s file looking for it. Implementing the websites to file claims will make the turnover be lower of the amount of complaints regarding the customer service, but there still needs to be improvements. As for the poor customer service, their needs to be extensive training for the many insurance agents that are employed with AFLAC.

It has become apparent that these agents were not trained fully on the job when they were originally hired. Implementing a plan where training must exist upon hiring an agent and it should be done every two years to ensure

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quality in these individuals. The final phase of DMAIC is the control phase. This focuses on how to maintain the improvements AFLAC has implemented. This means putting tools in place to ensure the key variables remain within the maximum acceptable ranges under the modified process (Evans, 266-267). Controlling these plans are vastly important.

AFLAC should hire an individual outside of the organization to solely work and monitor the website where claims are filed and to see the status of the claims that are filed. The company will be paying the individual, but in the end, it will save them money and turnover will have gone down significantly. The individual will control these websites and make sure there are no downturns or technical difficulties in the operation of this website. As for the training process improvement, the individual will be trained by top management on an individual basis once every two years.

This might seem to be a lot of training by retraining them every two years. Technology changes from year to year and different programs will most likely be established in the near future and it is very important that the agents learn the new development in technology to help them do their jobs on the computer. Training the individual might seem like a hassle to the co-worker, but in the end they will become a more positive individual because they will know that they are doing their job in the most efficient and successful way possible.

VI. Identify Management Planning Tools (Tree Diagram, Process Decision Program Chart) Planning is one of the basic functions of every manager out there. The complexity of the business environment today means that planning

is not always the easiest thing to do (Evans, 302). However, many different types of tools have been developed by several Japanese companies over the last half century as part of their planning processes (Evans, 302). These tools can be used to address problems typically faced by managers in an everyday role.

There are all different types of management tools that can be used to show the improvement in a chart or just explaining it in words. These help the manager understand what exactly needs to be done to improve the process it is struggling or needs “ help” in. With AFLAC, showing these different management tools to management and the lower level employees will help them understand what AFLAC is trying to do as a company and is finding many ways to improve themselves in the