

Breaking with tradition: Willis re-energised

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Since taking over the world's oldest insurance brokerage in 2000, Joseph Plumeri has initiated radical cultural change within Willis, which has substantially reduced the firm's long-term debt, trimmed millions in costs from its operational budget, and ensured record financial results for 16 consecutive quarters. Kathleen Williams speaks to him about the challenge of implementing change and his vision for the 175-year-old firm.

Ten Trinity Square in London – former home of the Port of London Authority and now headquarters to the world's oldest insurance brokerage – is a truly magnificent structure, as one might expect. From the majestic heights of the monolithic colonnades at the entrance, overlooked by Neptune and a host of sculpted marble angels, to the sparkling triple-volume lobby, sweeping staircases and wood-panelled ballrooms, the architecture embodies the imposing presence of a past empire that commanded the world's sea trade from this site. Today, it is occupied by Willis Group Holdings Limited, third largest insurance broker in the world.

One individual who does not share an enthusiasm for the edifice is Joseph Plumeri, executive chairman and chief executive of Willis. "There are statues and paintings of dead people all over the place, and what good are they?" he asks. Plumeri, who joined Willis in October 2000, is the first American to head the British brokerage. He is firmly of the opinion that too many companies rest on the laurels of their past achievements, history and traditions. His greatest challenge since joining the company, he says, has been to buck the tradition-bound culture, the staid and musty atmosphere of centuries past, and to forge a new dynamic within Willis in the interests of future growth and development. It is evident that a dramatic transformation is underway.

Within several months of his arrival, Plumeri announced his intention to take the company public and launch an IPO, and this he successfully achieved within record time. At the launch of the IPO, Willis' stock price was US\$13.50, and over the years it has significantly outperformed those of other top brokerages, so that at the close of trading on February 27, 2004, it stood at US\$38.35. The firm reported net income for the year ended December 31, 2003 of US\$414m, compared to US\$210m a year earlier, and Willis has substantially reduced its total long-term debt. This is the company's sixteenth consecutive quarter of record earnings, which coincides with Plumeri's arrival just over three years ago.

Plumeri is a powerhouse of focussed energy, enthusiasm, drive and determination. Having grown up in a close-knit Italian-American family in Trenton, New Jersey, his inspiration comes from his late father, a local politician in Trenton, whom he describes as a passionate and positive person who never thought that something could not be done. "He never quit and he always saw the good in everything. He was a dreamer," says Plumeri, "and because of my father, I own two league baseball teams and I have an affection for people who are passionate". Plumeri senior believed that buying a baseball team would rejuvenate his home town and create pride within the local community. He was right. Plumeri owns the Trenton Thunder and the Lakewood Blue

Claws baseball teams. He lists among his role models Winston Churchill, “the greatest person in the history of the world, who was also passionate,” he says.

Before joining Willis, Plumeri gained a reputation for being a great leader during a 30-year career as a senior executive with Citigroup and its predecessor companies. Among the more notable accomplishments during this period was the role he played in the integration of the consumer businesses at Citicorp and Travelers Group, during which time he served as the CEO of Citibank North America, which included Citibank’s retail branches and Citigroup Investment Services. In one year, he improved the unit’s overall financial performance by boosting earnings to US\$415m, up nearly 400% from US\$108m the previous year. He could easily have retired in 2000, but instead chose to take on the challenge of running Willis.

Plumeri is the first non-British executive to head the old English firm and also the first non-insurance executive. “When I got to Willis, the insurance brokerage was a new industry for me,” he says. “I didn’t know what to expect. Willis had its problems in the 1990s, which is why KKR ended up buying it, but I took the job.” Plumeri was confident that as long as the business was about client relationships and servicing client needs, he would succeed. “Insurance is simply the context. I know how to run businesses,” he says.

Given that he had worked his entire career in the United States, the industry was awash with speculation as to how he would run the business without international experience. Plumeri simply shrugged this off. “Even though your accent is different from mine, I believe that we all have the same plumbing. You have to get past the obvious initial cultural differences but I’ve never known anyone who does not like to be patted on the back and praised for a job well done.” The fact that Plumeri did not have international experience or a track record in the insurance sector was of little consequence. He soon discovered that the real challenge was in fact the Willis legacy.

In his first few weeks at the company, Plumeri arranged meetings with the top 100 people to ascertain company protocol and operations. “I kept my door open and everybody that walked in for a meeting closed the door behind them. I found that really interesting, as it embodied what Willis was all about.” Plumeri describes a tradition-bound company that lacked vision, open communication and leadership. “Every one of those people that I spoke to said that the biggest problem was that they worked for themselves rather than for the company. In the absence of someone telling them where to go and how to get there, they had to come to work and do their own thing.”

As a visionary and motivator of people, Plumeri is of the opinion that if you don’t share a vision, you can’t get people to work together towards something in the future. And that, without vision, there is no excitement and therefore no energy. “The company provided a wonderful platform and great people, but it wasn’t a great company,” he says. Plumeri defines a great company as one that does more with less. “The worst companies do less with more and the mediocre companies do more with more. However, the greatest companies are the ones that do more with less, and that’s really the trick,” he says. And, in order to do that, he strongly believes that everyone needs to work towards a common goal.

Plumeri likens the situation to players on a sports team. “Willis’ business is all about team sport, but the team members were playing individual games. You can have great players but if they don’t play together, you are going to lose.” Accordingly, he set about implementing a winning game plan and communicating it to the various players.

“Many companies do not articulate to their employees why they are there,” he explains. “You’ve got to figure out what the home run is. What we are doing here is creating a company whose value grows, and that value is measured by the price of our stock. That’s the scoreboard.” Cultural change is difficult at the best of times but Plumeri wasted no time in instigating change. Contrary to what others expected, there was no firing and hiring period; he simply shifted people to better-suited roles, where needed, and communicated his vision to Willis staff.

Plumeri set about re-energising the traditional brokerage by instituting a culture with a shared vision. He says that change was made easier by virtue of the fact that the changes were effected with the same people. The ease with which he introduced cultural change within the walls of the once-staid firm can also be attributed to his exceptional leadership skills.

“I’m a big fanatic on motivating people. I think you can take the same set of players or executives and under one set of criteria or one leader, the results can be completely different to another situation,” says the former football coach, “Once people understand and buy into the vision, it’s amazing what one can do.” He describes parents as great visionaries too. “At some point, all are going to have to take their kids on long car trips and the kids usually ask ‘When are we going to get there?’ Parents concoct stories about what it’s going to be like when they get there, how grandma is going to have cake and candy waiting. And, we do that to keep our children at bay, and so that they can enjoy the trip. It’s the same with companies. If you don’t give people a vision, they don’t enjoy the trip because they don’t know where they are going.”

One of the CEO’s greatest talents is his ability to infuse energy and discipline by way of example into the environment in which he works, and Plumeri continuously emphasises the importance of people and communication in business. “We are a global company, people are our assets, and you’ve got to go where your assets are. You’ve got to get out there, communicate the vision and make your people feel a part of that, whether they are in Australia or Cleveland. The only way that you can do that is if you personally act as the glue that keeps everything together,” he says. Word has it that Plumeri sends out as many as 40 hand-written notes every week in recognition of his colleagues’ achievements. “Messages on intranets, videos, and memos are all nice, but nothing compares to getting out there personally. So I travel a lot,” he says. Last year alone, Plumeri covered approximately 250,000 miles.

The challenge of motivating colleagues and pushing the boundaries is what drives Willis’ chairman. “I don’t think humans ever work at full capacity,” he says. “If you could figure out how to get them to work harder and like it, the potential is endless. That’s why this business, where your assets are your people, is so much better than manufacturing businesses, which never have sustained growth because once you’ve revved the machines to full capacity, there’s no place left to go and you have a productivity, input/output issue.”

Willis' success, reflected quite clearly in the company's stock price, can also be attributed to the sales culture that Plumeri has instituted. "We all sell at one level or another and I think leadership within a company has to sell a vision to its people, an idea about why they should work harder," says Plumeri. In addition to the internal selling, Plumeri is certainly cognisant of the fact that there will always be a market for what Willis has to sell. "They might buy less or they might buy more, but it will never go out of fashion." Moreover, in the hard market, Willis' stock has done well where others have not, which bears testimony to the way in which the business is now being run.

A key element of Plumeri's new sales culture is client advocacy, demonstrating a clear understanding of client needs and offering a solution based on their unique requirements. And he feels that this is what differentiates Willis from other brokers. "We don't believe that 'one size fits all' and as a result, people do not view us as a big machine that keeps making the same cookies, whether they are liked or not. That differentiates us from Aon and Marsh, which have different operating models," Plumeri says. "Finding out what the needs of our clients are via local relationships and then delivering global solutions is a very customised but global approach to delivering our solutions."

Plumeri goes on to point out that the insurance brokerage sector is so steeped in tradition that, "they sometimes forget that at the end of the day, someone has to buy something, and that the more clients you have, the better your chance of selling something and growing the business. You can cut costs all you want, and watch expenses, which all good businesses do, but the real DNA of a company is how well it grows what it sells. If you don't grow what you sell, you will die," he says. While Plumeri has managed to cut costs through the implementation of an expense management programme that shaved US\$38m from Willis' operational budget, he is more focused on re-affirming Willis' long-term goal to grow the adjusted net income per diluted share by 15% or better each year.

Willis has a three-pronged growth strategy that focuses on organic growth, recruiting new producers, and the acquisition of other brokerages and business. And, unlike most other insurance brokerage businesses that have grown through acquisitions over time, Plumeri believes that building and growing organically is the way forward. "I think that if you are good at what you do, when the time comes to make acquisitions, you can be better equipped to do it because you have a certain culture in place," he says. Despite a number of acquisitions made during 2002, most of the growth at Willis over the past three years has occurred as a result of meaningful internal development.

Plumeri does not rule out future acquisitions but says that from a strategic point of view, acquisitions are not foremost on his mind. "We certainly have the wherewithal to do it and if the time comes and the price is right, then we will make acquisitions. But we are in mode of growing internally and growing a great culture," he says. Organic growth at Willis will likely exceed 15% this year, compared to the average competitor's six or seven per cent, and Plumeri intends to achieve this internally by holding onto and opening more accounts.

Today, Willis has more than 300 offices in over 100 countries, with a global team of 13,000 associates working with clients in some 180 countries. Some 75% of the associates at Willis

come to work as owners. “It’s all about people and people want to feel proud, they want to feel like the CEO, in that when they come to work each day, they are gaining on something,” Plumeri says. “They want to feel a part of a team, and it’s no more complicated than that.” As for his own aspirations, Plumeri is firmly of the opinion that he has yet to experience his greatest achievement. “And that,” he says, “is why I get up every morning.”