

Articulating Strategy

An Interview with Edward B. Rust Jr.,
Chairman and Chief Executive Officer, State Farm Insurance

EDITORS' NOTE Edward Rust Jr. is nationally recognized as a leader of business community efforts to improve the quality of education in the United States. Rust is a former Chairman of the U.S. Chamber of Commerce and The Financial Services Roundtable, and a member of The Business Roundtable. He has served on the boards of America's Promise Alliance and the James B. Hunt, Jr., Institute for Educational Leadership and Policy. Rust currently serves as a trustee of The Conference



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Board, the Committee for Economic Development, and Illinois Wesleyan University. He is also a member of the boards of directors of Caterpillar, Inc., Helmerich & Payne, Inc., and McGraw-Hill Financial. A graduate of Illinois Wesleyan, Rust holds both juris doctor and master of business degrees from Southern Methodist University. He joined State Farm in 1975 at the company's Dallas, Texas, regional office and became President and Chief Executive in 1985, and was elected Chairman of the Board two years later.

COMPANY BRIEF State Farm (statefarm.com) and its affiliates are the largest providers of car insurance in the U.S. In addition to providing auto insurance quotes, their 18,000 agents and more than 65,000 employees serve over 82 million policies and accounts – nearly 80 million auto, home, life, health, and commercial policies, and nearly two million bank accounts. Commercial auto insurance, along with coverage for renters, business owners, boats, and motorcycles, is available. State Farm Mutual Automobile Insurance Company is the parent of the State Farm family of companies. State Farm is ranked number 41 on the 2014 Fortune 500 list of largest companies.

What does “sustainable value creation” mean to you and, as you look to the future, will that phrase stick?

There is an important mindset around sustainable value creation. I tend to look at it through the lens of growth from the standpoint that if I'm growing, it shows that I am maintaining a relevancy in the marketplace. How I grow today may be different than how I grew a year ago or five years ago, and with customers, technology, and connectivity today, a portion of growth five years from now will probably be derived differently than it is today.

So I equate sustainable value creation with growth because, if you are growing, you are showing a sustainable creation of value that attracts customers to you.

In running large businesses, can you make the long-term investments you need with all of the short-term pressures?

It's all about finding a balance in creating growth momentum at a publicly traded organization or even at a mutual like State Farm. Where investors recognize your track record, you

can, hopefully, have some confidence that they will stick with you as you make the necessary adjustments. There may be times when short-term earnings are affected as you do some repositioning or even change some foundational things that you know are important to create growth opportunities in the years to come.

This also comes back to the articulation of your strategy based on feelings about the marketplace and where the growth opportunities are. While you may need to take a pause or move investment dollars into other areas, you must be able to articulate that in a strategic review, which most companies do on an ongoing basis.

Are you able to sustain an entrepreneurial environment even with a company at the size and scale of State Farm?

It still comes back to articulating the rationale for the changes that you need to be going through. At times, this is very difficult, particularly when how things might play out in the future is not really clear.

Within our own organization, we have talked about the rapid deployment of mobile devices, smartphones, tablets, and so forth. A few years ago, we said, “Dream with us as to what the future may look like.” In many ways today, you don't even have to dream about some of the changes that are coming – you can just look at how you or your kids or grandkids interact with people and technology. If you don't think you're going to be impacted by mobile technology, you had better retire and find a good book to read.

Do you worry about how technology in your business might impact human interaction?

It is having an impact, but it's not universal across demographics. Young people are much more comfortable with the technology because

it's the only thing they've lived with. However, we're seeing the same trends manifest themselves across age groups.

We're monitoring this closely to track the new normal. Where is this blend between the technology and personal relationship going to settle and where is it moving to?

What is a relationship? My preference is face-to-face, but for a growing number of people, it's about sending a quick text. The environment is changing and we're working hard to better understand where this is going, and what we need to be doing to position ourselves to meet, if not exceed, individual customers' expectations around this evolving definition of relationship.

Is your focus on the employee or customer first as you work to ensure you're creating a valuable company long term?

It's not either/or. You need to understand what it is customers need and expect on the one hand, and on the other hand, you need to have your organization and your people engaged in what that customer is looking for. Your employees, through their actions, manifest that expectation, connection, and service that the customer is looking for.

It's not a one-step/two-step but moving in tandem with your employees, and fostering the energy and passion that you hope they bring to that connection with the customer through the products and services that you provide.

How critical is it that your workforce mirrors the diversity of your client base?

With the changing demographics of the population in the U.S., you're naturally going to have a workforce demographic change that tends to follow these societal changes.

We have worked hard to broaden our demographics and our diversity. We have been a strong champion of it and recognize that it's more than just connecting with customers of diverse backgrounds. Having a diverse workforce helps you better understand and connect with that diverse customer base.

If you just have people of similar identical backgrounds in the meeting room, and you're trying to characterize something, you're probably going to have a rather narrow understanding of what that world looks like.

The more opinions and experiences that you can have around a table when you're looking at an issue, the greater clarity you develop about the topic you're covering. ●