

Successful Growth Through a World-Class Culture

An Interview with John F. Barrett, Chairman, President, and Chief Executive Officer, Western & Southern Financial Group

EDITORS' NOTE John Barrett has served as President since 1989 and Chief Executive Officer since 1994. He also serves on the board of directors of Cintas Corporation and is a past two-term Chairman of the Ohio Business Roundtable. Additionally, he is Co-Chairman of The Greater Cincinnati Scholarship Association, a director of the American Council of Life Insurers, and a member of the Business Roundtable. He is a former Chairman of the Medical Center Fund for the University of Cincinnati and a former director of the Financial Services Roundtable. He holds a bachelor's degree in business administration from the University of Cincinnati. Over the years, Barrett has served on the following corporate boards: The Andersons (Toledo, Ohio), Cincinnati Bell, Convergys Corporation, Fifth Third Bank, and Touchstone Securities.



John F. Barrett

COMPANY BRIEF Western & Southern Financial Group (westernsouthern.com) is a Cincinnati-based diversified family of financial services companies with assets, owned and managed, of more than \$75 billion. Western & Southern is one of the strongest life insurance groups in the world. Over the last 30 years, it has grown from a \$5 billion regional life insurance company into a highly-respected national financial services enterprise.

What have been the keys to Western & Southern Financial Group's success and how do you define the competitive advantage for the company?

The differentiating factor for our company has been our incredibly strong culture. It has grown from a small-town, Midwestern-roots culture into a world-class culture over the past 30 years.

As the business has grown and made acquisitions, is it more difficult to maintain that culture?

In most cases, we bring the senior people from companies we acquire to Cincinnati. We haven't always done that and it's not a rule but, in many cases, we will move the companies to Cincinnati after a period of time.

The cross-pollination of the people takes time, as the transition from one culture to another can be a challenge for some.

We try to provide value to all our stakeholders – our associates, clients, customers and policyholders, and our communities. This has worked for Western & Southern and has been our strength.

Does providing value start with a focus on the employees?

Employees will do things right if you focus on them. We want each of our associates to have a long, rewarding and impactful career with us – not just a job. And at the end of their careers, we hope that they will

feel they couldn't have done better anywhere else nor could they have enjoyed their work more.

How challenging is differentiation and are you able to show what makes a company unique in this space?

Yes, we are, especially if you're not dealing with the maintenance necessary at the highest end. We think we do a great job. Our people here are really good people. Everyone is blown away by our people and culture when they come and visit.

We're looking at modernizing our headquarters. We had the lead architect in from Studios, the firm that designed Google's headquarters, and he told me that Silicon Valley has nothing on us. Everything they do, we have been doing for years – the free meals for our

associates, the comfortable offices, the whole nine yards.

No one would believe that a life insurance company in Ohio has been doing these things for 50 years.

Is innovation taking place in the industry?

Innovation in financial services is a must or we will find ourselves out of business. This is why we have seen so much happening in all financial services – because technology has allowed companies with money to be able to do things that they never dreamed possible.

Money is the other key behind our innovation. We have to have a great culture and a large amount of capital, and this company has a much higher percent of its balance sheet in net worth than anyone else in our space. The reason for this is that we out-invest our peers.

In 1960, the population of this country was 180 million and 21 million life insurance policies were sold; in 2016, the population was 325 million and 11 million life insurance policies were sold. That's a lot of underserved Americans.

Most companies have run to the high-end of the market. We didn't. We bought companies that had high-end business, but we believed that our opportunity was in the middle market, and that's where our bread and butter is.

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We have a vision that Cincinnati will be the best place to live, work and enjoy life. And we engage with and give back to our community in support of that vision.

That said, the cost of doing business has to be brought down through the adept use of technology and business practices. All of us have had to invest in getting good at fintech.

Is technology more of an enabler that is enhancing relationships or do you worry that it is taking away from the human touch?

You have to marry the two. Technology is an enabler – we can get so many more things accomplished because of technology. However, without the human touch, we're not going to have the relationships. We have to do both.

Why isn't there a better understanding about the importance of life insurance and planning for financial security, and is the industry getting that message out?

It's not getting out nearly well enough. The average person used to say that they needed life insurance, but they could not afford it. Now the average person is worried about outliving their money, so this has resulted in this huge growth of the annuity market, which in 1960 was just starting.

We think people need both solutions – annuities and life insurance. We are the only industry that can guarantee an income for life with an annuity and then guarantee a death benefit so that one's family can have the least financial disruption possible through life insurance.

Today, many families are blended, so the issue becomes who gets the benefits. These are tough topics. As an industry, we have to adroitly move through these issues and try to get people to continue to protect others beside themselves.

Western & Southern is in a long-term business making long-term investments. How hard is it to find a balance between the short-term pressure for results and the need to make long-term investments?

It's harder to sell people today on a long-term focus. Too many business people are focused on the short term, as are many of our competitors. But we know we make long-term promises to our customers, and we intend to honor those promises.

Is the story of the strength of Ohio, and Cincinnati specifically, as a great business destination being well told?

Not nearly well enough. The quality of life here is excellent – world-class companies, schools, sports, arts and parks, reasonable

commutes, and beautiful neighborhoods. It's also so much less expensive to live here than places like New York City or California.

Is young talent coming to Ohio, and are you able to find the workforce you need for the future?

Yes, we have a very vibrant labor market here, and they love our city. I lived in New York years ago when no one lived on Wall Street. That has changed. Today, in our city, we have opportunities for young people to walk to work just like in New York and other major cities.

W&S started the renaissance in Over-the-Rhine 30 years ago, and it has grown and prospered.

How important is it that Western & Southern is known as a company that gives back and is engaged with the community?

That is one way we attract and retain our talent. We have a vision that Cincinnati will be the best place to live, work and enjoy life. And we engage with and give back to our community in support of that vision. From our senior officers who serve on not-for-profit boards and civic organizations to our multitude of associates who raise funds for cancer research through Ride Cincinnati and other charities, Western & Southern associates love this community.

Is community engagement a responsibility of business today and for real change to occur in major cities, is it going to be led by the private sector?

I hope so. One thing that could ruin the great thing we have going in Ohio is politics – the re-regulation of financial services, the unintended consequences of higher taxes – all of those things impact a delicate economic balance.

Business people have to be involved even if they don't want to be. Our future cannot be trusted to anyone else; we need to secure the future ourselves.

In Ohio, there is a strong business community that works together through organizations like the Ohio Business Roundtable. Will you discuss the strong relationship of the Ohio business community?

Ohio is the fifth largest state for Fortune 500 headquarters. Only New York, Illinois, California and Texas are ahead of us, so we have a very fertile business environment here.

The Ohio Business Roundtable led the effort to revise the tax code for business about a dozen years ago, and it has helped so much. We took the personal income tax to under 5 percent per taxpayer and changed the way companies were taxed. This was a big deal, and our property taxes are also low. It's a very affordable place to live.

What do you tell young people about the opportunities that exist within the insurance industry?

The diversity of businesses within our insurance company is considerable. For instance, we are the oldest private equity firm I can think of – we did our first deal in 1984. We run a \$3.5 billion private equity portfolio for third parties and ourselves. Technology is the backbone in financial services now; fintech is key, so we invest heavily there.

So many of the things that young people want for their careers, we already offer. The difference here is that our associates aren't pigeon-holed into one thing. A person can move and develop in different parts of our enterprise. We do real estate development, equities, bonds, annuities, life insurance, financial planning, pension, and financial services, and all the administrative support functions. We have many career niches in which young people might be comfortable and learn, grow and develop. We make a real effort to avoid keeping people in silos so they end up more well-rounded.

Eight of our top 22 executives are women. We have a nine-person board of directors with two women members, so this is a very woman-friendly environment. We did this because we are a meritocracy. If you have the skills, you can do well here.

There is an AGE-old problem that has hurt some really good people – the A is arrogance, the G is greed, and the E is ego. Check those at the door and you can enjoy a wonderful career here.

With all the impact Western & Southern has made, do you find time to celebrate the wins or are you always thinking about what's next?

I'm a constant dreamer and always thinking about what's next. Just wait – the dreams I hope to realize over the next five years for our company and city will dwarf anything we've done so far. Buckle your seat belt, it should be a wonderful ride. ●