

Prudential Financial

- 1. What were the environmental forces/challenges operating on Prudential in 2002? What was the organizational strategy in response to these forces? What was the strategic importance of the safe to say initiative?** The organization shrink from 138 to 28 staff member. This was a tough challenge when they needed to encourage employees to give feedback. The employees did not find the environment very safe to speak freely in.

The first safe to say program in 1998, called OPXX was designed to include all 60.000 employees.

The second initiative was called foundation for Excellence, which involved prudential's top 450 executives that introduced three programs of right work, right way, right results.

Opx2 was designed to reinforce the importance of middle managers' roles. Safe to say started in the hiring process: The best candidates are the ones who challenge you

External factors: War with Iraq and an unstable stock market.

Experiencing increased competition.

Deregulation that led to increase competition but also opportunities to enter new markets.

They divided their company into different brands. International service. Exaggerated local market. Consumers have become much more aware. Therefore, the consumers are much more demanding because they are aware of other products.

The way safe to say became part of the initiative was due to the company being public. This required the employees to understand their role and how it contributes to the whole. Here you need information from them about what needs to be done.

The core strategy was going from a product driven company to a market driven company. This was due to the environment changing and competition was increasing.

A strategy was diversification. Started as an insurance company but now also an investment company.

- 1. What was the financial performance of Prudential as measured by Return on Equity (ROE) in 2002? What were the financial performance goals that Ryan anticipated achieving by 2005? What would this imply in terms of tolerance for errors?**

In 2005 Ryan anticipated achieving a return on equity of 12% in 2005. In 2002, ROE was 6%. Their tolerance for errors might be low because their goal is hard to achieve.

- 2. Is the Safe to Say initiative reconcilable to the above economic situation and performance targets? What are the conflicting or opposing forces here that would need to be addressed?**

Department were in silos. So, the safe to say has to start with hiring philosophy and basic relationships. There was rewards to the those who spoke up and saved the company from trouble.

A conflict force is that it takes a long time for the safe to say project to get started and to evolve. The trust first needed to be build.

They would like employees to be able to resolve issues internally. The objective was to push decision making down to the lowest levels.

Managers' compensation was ties to survey results. 10% of their bonuses were tied to employee measures. To motivate managers to focus on communication, survey results helped them to plan actions to address issues in their departments.

3. How would you gauge effectiveness of the strategy at Prudential? What indicators would you use to gauge effectiveness and what is your assessment of Prudential in terms of internal processes (in this case people actually speaking up and the feeling of psychological safety)?

I would also do surveys.

Extra notes:

Prudential is an insurance company. It also offered investment services like money management, mutual funds for individuals. They offered an international insurance services which was their fastest-growing division in the company.

Ryan felt that it was important for the company to have the employees speak freely. About their situation. Ryan believed that it was essential to create an environment where people would speak up with their ideas and concerns. This was essential for taking Prudential public. When public it will face greater scrutiny than as a mutual company.

The company shifted from a product-oriented company to a market-driven organization which required the employees to learn a new vocabulary.

The employees felt that there was a wedge between the new guard and the old. If you've been here more than five minutes you are not being valued.

They are working in a complex environment.

The first safe to say program in 1998, called OPXX was designed to include all 60.000 employees. They will get them together and give feedback. The second initiative was called foundation for Excellence, which involved prudential's top 450 executives that introduced three programs of right work, right way, right results. They also had voluntary participation I leadership development sessions for seniors executives to create a safe to say environment.

Opx2 was designed to reinforce the importance of middle managers' roles.

Safe to say started in the hiring process: The best candidates are the ones who challenge you.

Progress report: They fired people who did not fit the safe to say culture.

A survey was sent to the employees with a question "Am I afraid to say what I think?". The response hovered around 50 pct.

They began to give awards to people who did speak up and saved the company from trouble

Prudentials' scope is broad because they are going international, and their product is high cost (unique).

S: Their product was great. Old company where the customers have a loyalty towards the firm.

W: Could not speak freely. It is an old company where the culture is very harsh. Pru polite (people are nice but it hard to have an honest conversation).

O: They can move on to different markets with their products.

T: Competition, Iraq war, consumers becoming more aware of other products, the stock market.

Prudential had defrauded investors of close to 8 billion, the largest investor fraud in US history in 1993.

An important thing for the company was to restore trust and goodwill to the market.

Safe to say strategy is important to gain information about the customers and also restore reputation.

Strategy and structure: Porter and Miles

Low-cost leadership: Defender strategy.

Differentiation: Prospect strategy.

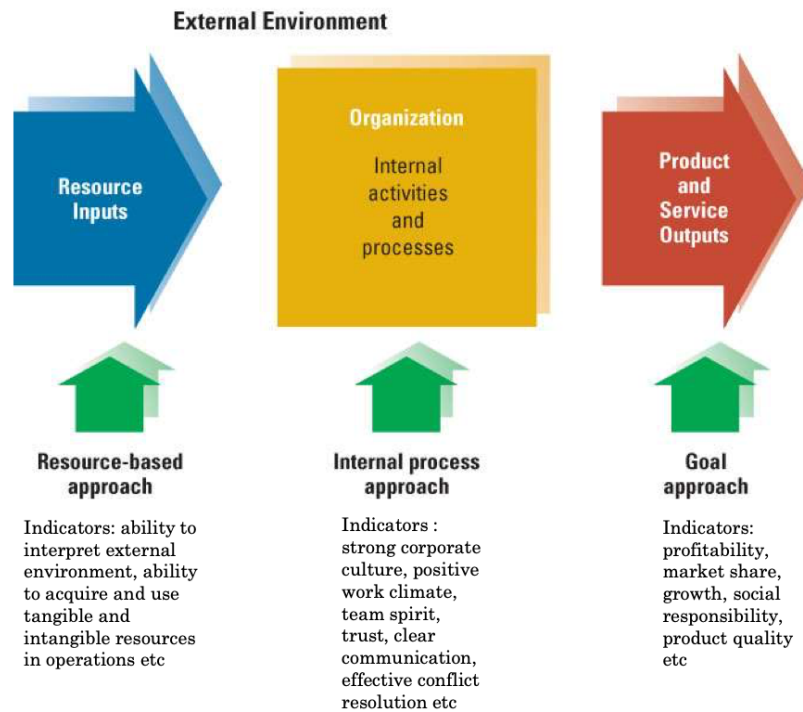
We need to create a safe environment while having a high ambition. Organization can be successful when being at the end of chaos and addressing contradictions, also they will create momentum.

Create stories to make the employees feel safe. An employee made a mistake and lost IBM 9 mil but the leader said that it was ok and it was good that he made this mistake. The company has his back.

Layoffs create fear. You need to address these fears. The managers need to address the fear. Example, a consulting firm was having stress problem. The managers was then forced to take vacations in order send a signal to the employees.

How to measure a strategy:

GAUGING EFFECTIVENESS OF STRATEGY



Surveys could measure the degree of happiness and stress level.

Surveys from costumers and their satisfactions.

Tangible measure for safe to say strategy: Measure the number of new projects implemented.

Multiply number of people answering the survey and the satisfaction rate, we see a slightly increase.

Nursing. Mothers could bring their kids. The company has a working mothers iniciative.