

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?

learning organization, shrink from 138 to 28 staff members. He knew that it was a tougher challenge in a downsizing environment to encourage employees to give direct and candid feedback about their work and their roles. The effort to make the work environment open to differences of opinion, the delivery of bad news, genuine discussion, and the raising of difficult issues and suggestions—that is, to make it *safe to say*—was a priority for the company's senior leaders. Ryan felt it was important to build this value into the fabric of the company culture, but the question was how. He knew that in the current business climate results were essential, so measuring the effectiveness of the program was necessary. Then again, it was not clear how he would really know if the effort had been successful.

Prudential has evolved from a [mutual insurance](#) company (owned by its policyholders) to a [joint stock company](#) (as it was prior to 1915^[11]). It is now traded on the [New York Stock Exchange](#) under the symbol **PRU**

Concerned that many employees lacked business knowledge, Ryan began to consider ways to ensure a steady flow of communication and ideas within the company: “What I tried to do was emphasize that, in a public company, you need knowledge; you need employees who understand how their role contributes to the whole, and you need information from them about what needs to get done. That’s how *safe to say* became part of the initiative.”

Human resources itself had gone through many changes in 2002. In January 2002 an agreement was signed to outsource transactional functions including payroll, accounts payable, training administration, and applications development to an integration company, and headcount was reduced in an effort to retain only strategic HR roles within the firm. Payroll was the first function to go, in June 2002. “Some of our people were very upset,” Taylor explained, “because they felt like they had cleaned up their processes and improved their response times and were doing a good job, but the bottom line is that unless we had scale, there was a limit as to how much we could reduce our unit costs.”

2. 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?

Becoming a public company also meant setting ambitious financial performance goals. Ryan anticipated achieving a return on equity of 12% by 2005. In 2002, ROE was at just 6%.⁴ (See **Exhibit 7** for current mission statement.)

3. 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, which reflected how I operated. So I think *safe to say* has to start with hiring philosophy and basic relationships. Hiring should not be trying to clone yourself. The best candidates are ones who will challenge you, not just figure out what the right answer is.

convincing. One contrary example is a lot more powerful than 100 iterations of a notion. Trust is very easy to break. So I began to give awards to people who did speak up and saved us from trouble, particularly if they argued with me. It is like the old bumper sticker; all of us are smarter than any one of us.

Weakness: lack of communication,

employees. The objective was to push decision making down to the lowest possible levels, facilitating execution of critical tasks. At the same time, many company outlets for expression—an ethics office, an alternative dispute resolution team, and human resources (HR) consultants—were re-introduced to employees, because, as Taylor said, “We’d like employees to be able to resolve issues internally.”

A conflicting force is that it takes a long time for the safe to say project to get started and to evolve

Giving out awards to people who speak up and come up with constructive criticism,

Managers' compensation was tied to survey results. Ten percent of managers' bonuses were tied to employee measures in the areas of climate and diversity. In addition to motivating managers to focus on communication, survey results helped them to plan actions to address issues in their departments. Taylor illustrated: "My scores just came back a little lower than usual this time around, primarily because we have gone through so much change, but that is not an excuse. What this tells me is that I have to do much more to stay connected to my people. I'll host a town hall meeting and allow everyone to ask me questions, make comments, and speak what is on their minds."

4. 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)?