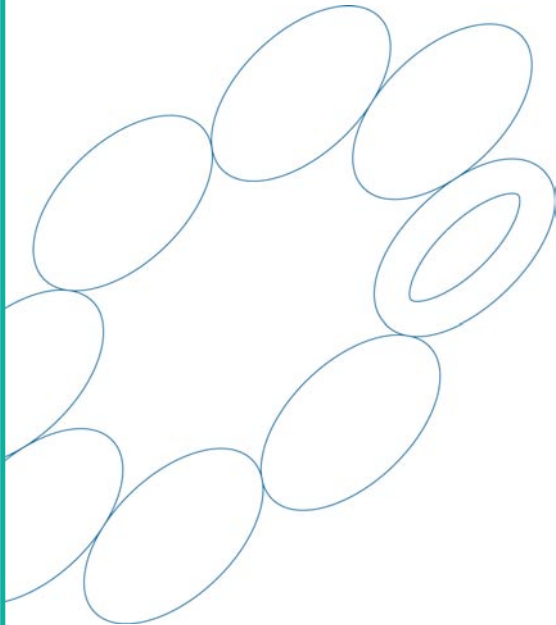


2GC Case Study - IIC

Organisational performance management in a UK Insurance firm: Aligning individuals' goals with the business strategy

October 2006



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2GC Case Study - IIC

Aligning individuals' goals with the business strategy

Contents

- Introduction to the case
- The approach used
- The results
- About 2GC Active Management

Summary

- This case study uses material drawn from project work undertaken by 2GC for a UK based financial services firm. IIC commissioned the work to address two performance management issues:
 - First, the need for a personal goal setting process that is both economical to deploy and effective in triggering changes in the behaviour of individuals.
 - Second, the related need for the content and process of this type of system to be closely aligned to the overall aims of the organisation.
- The case study shows how IIC worked with 2GC to address these issues successfully using an adapted version of the 3rd Generation Balanced Scorecard framework.



2GC Case Study - IIC

Aligning individuals' goals with the business strategy

Introduction to the case

About IIC

- IIC is a small UK subsidiary of a large Japanese insurance company, based in the City of London. As a Lloyds syndicate company, its main activities involve underwriting business risk for large corporate clients, typically through a network of brokers.
- Established in 2001, the company had grown rapidly, with 110 staff by September 2004. However, looking forward, the existing management systems no longer effectively supported the organisation. In particular the company believed that an improved approach to communicating organisational objectives and managing individual performance was needed.
- In October 2004, the company embarked on a project to improve the approach to managing performance. Core objectives for the project were to:
 - Build a more effective way of informing individual objectives and aligning them with organisational and departmental goals
 - Create an individual performance management process that supported the needs of the organisation and encouraged the correct behaviours from staff and teams
- To deliver these objectives, the company chose to introduce a new performance management approach based on the 3rd Generation Balanced Scorecard (Lawrie & Cobbold, 2004).

“We wanted to create a more active performance management system but were unclear how best to achieve this. We had heard that the Balanced Scorecard is a methodology that organisations had used to good effect – we wondered if it could this help us too”

IIC Director

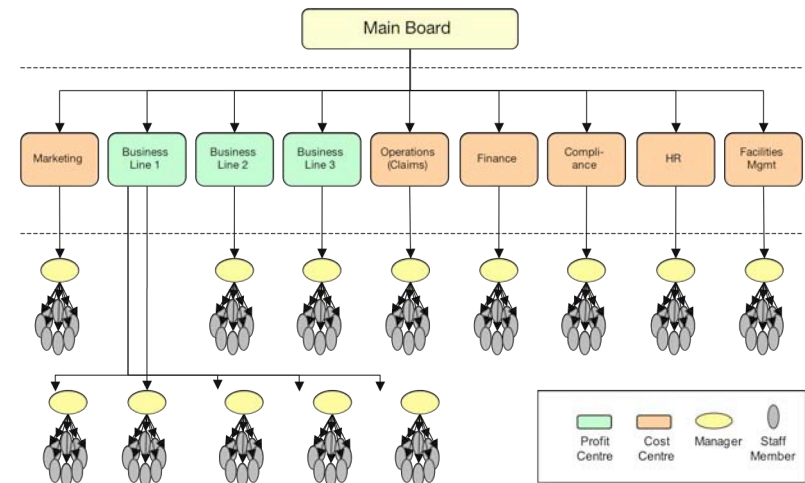
2GC Case Study - IIC

Aligning individuals' goals with the business strategy

Introduction to the case

Three organisational levels to align

- The performance management system needed to inform individual goal selection while ensuring that these were in line with corporate and team level objectives.
- 3rd Generation Balanced Scorecard was to be used to 'cascade' a locally relevant view of the corporate objectives to team level. By ensuring that team level managers were equipped with a better understanding of how the team was to contribute to corporate goals, the activity to agree individual goals would be better informed.
- The structure of the individual performance review process was designed to exploit this better informed view of the organisational behaviours desired.
- The system adopted involved different objective setting approaches at three levels (see diagram):
 - Top (corporate) level: 3rd Generation Balanced Scorecard: i.e. a Destination Statement (three-year goals) and Strategic Linkage Model (annual objectives) that were collectively and consensually developed by the extended senior management team through workshops.
 - Departmental level: 3rd Generation Balanced Scorecard (Strategic Linkage Model only): i.e. Annual objectives that would support Top Level goals chosen by Departmental management teams.
 - Team / Individual level: Annual individual task and developmental objectives chosen by employees in conjunction with their line manager.



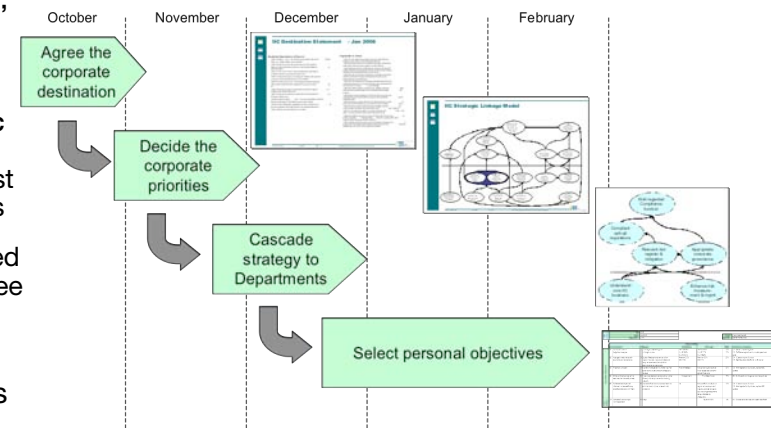
2GC Case Study - IIC

Aligning individuals' goals with the business strategy

Introduction to the case

A four step process

- The project ran over a six month period. During this time there were four distinct phases of work:
 - **Development of the 'Destination Statement'.** This work was carried out by the main board, and reflected the strategic obligations and plans held by the Board
 - **Agreement of corporate 'priority actions and outcomes'** for the Board to focus on. This work resulted in the creation of a 'Strategic Linkage Model' for IIC.
 - **Development of departmental versions of the 'Strategic Linkage Model'.** This work was driven by departmental managers identifying how they and their teams could best 'contribute' to the achievement of the corporate priorities
 - **Selection and agreement of personal objectives.** Carried out within the departmental teams, members of staff agree objectives that focus on how they can best support their department's agreed contribution to the corporate goals.
- The process was designed and facilitated by 2GC, but was largely resourced and delivered by IIC staff
 - Knowledge and skills transfer was a critical long term requirement - IIC had to be able to use and maintain the system after this design project was complete
 - 2GC worked closely with an IIC project team to ensure that the organisation was well equipped to support the system. By the time the fourth stage was reached, most of the project activity was being delivered by IIC internal staff



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Summary

- In theory performance management system design is straightforward. Managers need to select a set of measurements that will usefully inform them about what is going on within the business, and then use what they learn from these measures to inform decision making activities. But in practice, developing a system that managers actually use is hard.
- Key to getting managers to use the data, is ensuring that they are confident that the data reported is 'relevant': if they suspect some key numbers are missing, or the data provided is inappropriate, it is likely that they will not use it.
- Standard frameworks, such as the Balanced Scorecard are useful in helping organisations develop performance management frameworks in a quick and reliable fashion. Over the past dozen years best practice design methods point to use of a highly participative group design process, this offering the highest quality outputs, and highest probability of acceptance and use by the managers involved.
- This project work used a framework called 3rd Generation Balanced Scorecard: an improved version that has emerged over the 16 years since the Balanced Scorecard concept was first widely publicised. 3rd Generation Balanced Scorecard designs are easier and quicker to design, and produce higher quality outputs (in terms of adoption rates) than earlier design generations of this important management tool.
- This section describes the 3rd Generation Balanced Scorecard.



2GC Case Study - IIC

Aligning individuals' goals with the business strategy

The approach used

The pursuit of relevance

- The most important issue to be addressed in performance management system design is getting managers to use the system created in a way that improves their decision making and furthers the achievement of organisational goals: if this doesn't happen, the effort to design the system will have been wasted
- The best way to ensure that users of the system perceive it to contain relevant data is rely on the users themselves make appropriate measure selections.

3rd Generation Balanced Scorecard methods

- 3rd Generation Balanced Scorecard designs are easier and quicker to design, and produce higher quality outputs (in terms of adoption rates) than earlier design generations of this important management tool. They are characterised by the addition of two extra elements to the original Balanced Scorecard format:
 - a device called a 'Destination Statement' that comprises a brief summary of the goals being sought by the organisation; and,
 - a 'Strategic Linkage Model' or 'Strategy Map' that summarises how the goals being monitored on a Balanced Scorecard are inter-related.
- Examples of the three key elements of a 3rd Generation Balanced Scorecard are shown on the following pages.

The Evolution of Balanced Scorecard 2nd Generation Balanced Scorecards

2nd Generation Balanced Scorecard

- Changes were made to the design process - The Strategy Map

Physical Characteristics

- Objectives are selected first then measures are then chosen from these
- Objectives are linked - Strategy Map or Strategic Linkage Model
- Perspective names are often changed - especially in the public sector

Process Characteristics

- Frequently developed offline by internal teams or consultants
- Becoming more used for strategic management

Design Comments

- Easier to design than 1st Generation
- Choosing measures and targets still hard
- Developing 'cascaded' Balanced Scorecards from Strategy Maps is hard and can demotivate managers

Find out more:

- Kaplan and Norton's second book
- More advanced text books
- Case reporting especially from Public Sector organisations

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Designing and using 3rd Generation Balanced Scorecards 11

The Evolution of Balanced Scorecard 3rd Generation Balanced Scorecards

3rd Generation Balanced Scorecard

- Changes were made to make target setting and cascading easier. It was found that these 'fixes' also made Balanced Scorecard design easier and more reliable

Physical Characteristics

- Consensus is first built around long term goals - the 'Destination Statement'
- Strategy maps have been made simpler by removing the perspectives. Objectives are now either 'Outcomes' or 'Activities'

Process Characteristics

- Modern Balanced Scorecards are built by the management teams in live working session.
- The session seek to make difficult choices and build consensus about priorities.

Design Comments

- The first 3rd Generation designs appeared in 1998.
- Similar to the Results Based Management model used in many NGOs
- 3rd Generation is the current 'state of the art' performance management design

Find out more:

- 2GC published literature
- Academics and advanced practitioners
- Parallel literature from Public Sector (especially Australia) and NGO sector (e.g. UN WFP)

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Designing and using 3rd Generation Balanced Scorecards 12

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Aligning individuals' goals with the business strategy

3rd Generation Balanced Scorecard

Destination Statement Sep 2012

Financial and Buyer Expectations

E101: We have a turnover of £500m from core IIC3 by February 2012
 E102: We have a net profit of £100m (20%)
 E103: AEBI has secured the business, 50% and 50% and overall customer acquisition 50%
 E104: Our sales revenue is up 10% year on year and 20% on last year
 E105: Our sales revenue is up 10% year on year and 20% on last year
 E106: The sales 50% of our sales revenue is from IIC3 in Europe and 50% in the rest of the world
 E107: We have a total of 1000 staff employed, 500 in Europe and 500 in the rest of the world
 E108: We have a total of 1000 staff employed, 500 in Europe and 500 in the rest of the world
 E109: We have a total of 1000 staff employed, 500 in Europe and 500 in the rest of the world
 E110: We have a total of 1000 staff employed, 500 in Europe and 500 in the rest of the world
 E111: We have a total of 1000 staff employed, 500 in Europe and 500 in the rest of the world
 E112: We have a total of 1000 staff employed, 500 in Europe and 500 in the rest of the world
 E113: We have a total of 1000 staff employed, 500 in Europe and 500 in the rest of the world
 E114: We have a total of 1000 staff employed, 500 in Europe and 500 in the rest of the world
 E115: We have a total of 1000 staff employed, 500 in Europe and 500 in the rest of the world
 E116: We have a total of 1000 staff employed, 500 in Europe and 500 in the rest of the world
 E117: We have a total of 1000 staff employed, 500 in Europe and 500 in the rest of the world
 E118: We have a total of 1000 staff employed, 500 in Europe and 500 in the rest of the world
 E119: We have a total of 1000 staff employed, 500 in Europe and 500 in the rest of the world
 E120: We have a total of 1000 staff employed, 500 in Europe and 500 in the rest of the world

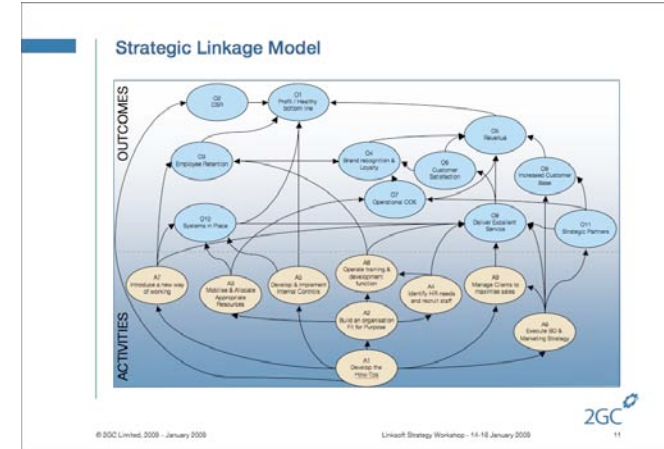
Operational & Culture

O101: We have a "Customer First" culture
 O102: We have a "Customer First" culture
 O103: We have a "Customer First" culture
 O104: We have a "Customer First" culture
 O105: We have a "Customer First" culture
 O106: We have a "Customer First" culture
 O107: We have a "Customer First" culture
 O108: We have a "Customer First" culture
 O109: We have a "Customer First" culture
 O110: We have a "Customer First" culture
 O111: We have a "Customer First" culture
 O112: We have a "Customer First" culture
 O113: We have a "Customer First" culture
 O114: We have a "Customer First" culture
 O115: We have a "Customer First" culture
 O116: We have a "Customer First" culture
 O117: We have a "Customer First" culture
 O118: We have a "Customer First" culture
 O119: We have a "Customer First" culture
 O120: We have a "Customer First" culture

Processes & Capabilities

P101: We have a "Customer First" culture
 P102: We have a "Customer First" culture
 P103: We have a "Customer First" culture
 P104: We have a "Customer First" culture
 P105: We have a "Customer First" culture
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 P117: We have a "Customer First" culture
 P118: We have a "Customer First" culture
 P119: We have a "Customer First" culture
 P120: We have a "Customer First" culture

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Balanced Scorecard Measures and Targets

Priority	Champion	Indicator	Target	Status	Status	Freq.
R2 - Results oriented programming/ high quality delivery	Kunio Waki	% of programmes evaluated meeting Quality assurance standards per internal review on quality of programme support provided by TSD, SPD, Delivery assessment by COIs as per DOS missions	90% 7 7.5	92% 6.8 7.3	Green Yellow Yellow	Quarterly Annual? Annual?
R4 - Improved capacity to build partnerships	Thoraya Obaid	Number of HQ-held partnerships evaluated against Number of public statements by HQ partners per quarter supporting the ICPSD	20 5	21 3	Green Yellow	Quarterly Quarterly
S1 - Market advocate & communicate externally	Mari Simonen	Missionstones of a communications plan to market/advocate to key external professional posts Number of external applications to UN Reform strategy Implement the UN Reform strategy against milestones	Fully on track 100	Fully on track 75	Green Yellow Yellow	Quarterly Quarterly Quarterly
S6 - Develop staff technical and managerial capacity	Sean Hand	Missionstones of a plan to complete a staff skills/training needs inventory Milestone of the training plan completed % of staff trained v plan	Fully on track Fully on track 95%	Fully on track Fully on track 80%	Green Green Yellow	Quarterly Quarterly Quarterly

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XYZ Co Destination Statement MAY 2009

Financial and Buyer Expectations

- F/BE1 – We have a turnover of £XXm+ from: circa £XXm+ Consulting, circa £XXm Licence sales £XXm SLAM/optimisation
- F/BE2 - We have a net profit of £XXm+ (8%)
- F/BE3 - XYZ Co is owned by the founders 60%, staff 20% and external/venture capitalists 20%
- F/BE4 - Our sales revenue is split 75% private sector and 25% public sector
- F/BE5 - Our sales revenue is split 70% large 20% medium and 10% small organisations
- F/BE6 - We make 85% of our sales revenue in the UK, 10% in Europe and 5% in the rest of the world
- F/BE7 - We have successfully acquired (and possibly integrated) two consulting businesses: one of 100 or so people and one smaller specialist of 20 people and have established offshore resourcing capability
- F/BE8 - We have a focus on growing our “annuity” services covering recurring contracts (“annuity” revenue) and regular repeat purchasing from long-term clients (“annuity” relationships)
- F/BE9 - We have established a “franchise” model for growth outside the UK
- F/BE10 - We have an established process for evaluation of options to expand our services outside of the Oracle world (JDE, Retec, Siebel, Peoplesoft capability)
- F/BE11 - We have a business that is attractive to potential buyers, having:

- A strong brand
- Sustainable revenue and profit growth
- Long-term customers
- Scaleable processes
- Market leadership
- Strong management

Processes & Capabilities

- PC1 – Our use of on-line electronic standard templates so that our business process and support systems are consistent
- PC2 - Our best practice sales methodology includes: planning (accounts, territories, compensation) and management (lead, opportunities, business forecasts) supported by our centralised customer and prospect database
- PC3 - We use clear and well understood processes with defined responsibilities for the qualification and winning of bids, the delivery of projects and post-sale customer management
- PC4 - Our business is supported by an infrastructure comprising HR, training & development, finance and IT
- PC5 - Our learning and sharing culture is underpinned by our Knowledge Management system
- PC6 - Our commitment to people is demonstrated by our Investors in People accreditation
- PC7 - We have evolved a strong quality and risk management culture supported by effective and proven management processes
- PC8 – We have integrated marketing processes that enable: campaign planning, ROI analysis, integration into the sales process and multi-channel capabilities, whilst continually promoting and strengthening the Rocela brand

External Relationships

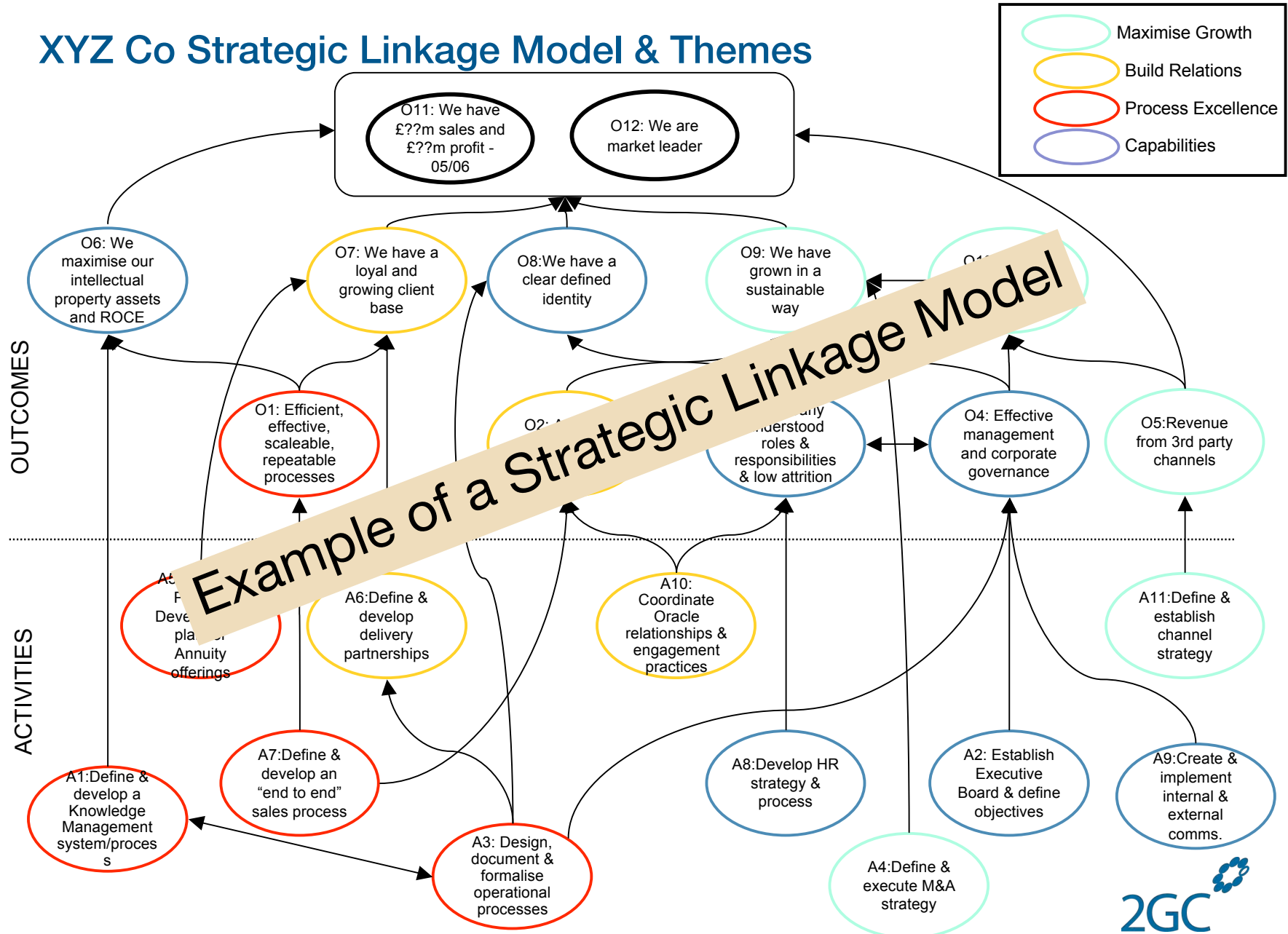
- ER1 – We are the UK’s leading independent consultancy providing expert advice and solutions to the Oracle community and our clients see us as their “trusted advisor” in all matters relating to Oracle - the company, their product and services, and their strategies
- ER2 – Our clients benefit from our ability to understand of their business drivers and trends within their vertical industry sector
- ER3 - We optimise clients’ use of Oracle technology and services to maximise their ROI
- ER4 – Oracle Corporation management see XYZ Co as an enabler of growth at low cost, through innovative routes to market
- ER5 – Oracle sales see XYZ Co as a trusted safe pair of hands
- ER6 - XYZ Co’s employees see being with the company as the best move they ever made
- ER7 - XYZ Co are consistently quoted by the press as a leading Oracle partner
- ER8 - XYZ Co’s key supplier/partner see us as a leading Oracle partner

Organisation & Culture

- O&C1 – We have a “can do-will do” culture
- O&C2 - We have strong Intellectual Property in our people, our Oracle knowledge, SLAM and our customer database
- O&C3 - We have a communication programme that successfully allows our management and employees to be fully up to speed with all relevant information
- O&C4 - We have established a performance management framework that enables alignment of individuals’ performance to the company’s business objectives
- O&C5 - We have successfully recruited the right people with the right cultural fit for all job functions
- O&C6 - We have maintained our strategy to outsource non-core business functions
- O&C7 - Our success as a “trusted advisor” comes from our continued focus on putting our clients first
- O&C8 - We celebrate our successes and share and learn from our failures
- O&C9 - We have, wherever possible, maintained a predominantly virtual office approach
- O&C10 - We have approximately 150 full-time employees
- O&C11 - We have a less than 10% attrition rate
- O&C12 - We have an established personal and career development programme to enable our employees to reach their full potential
- O&C13 - We have a Finance and an HR Director with specific fast growth company experience
- O&C14 - We have developed a strong operational board through developing our own management talent
- O&C15 - We have appointed non-executive directors and board advisors with specific experience in taking companies to trade sale or flotation
- O&C16 - We maintain an active pool of associates and contractors

Example of a Destination Statement

XYZ Co Strategic Linkage Model & Themes



2GC Case Study - IIC

Aligning individuals' goals with the business strategy

Contents

- Introduction to the case
- The approach used
- The results
- About 2GC Active Management

Summary

- The results of the work carried out are summarised on the following pages. The results are summarised by step:
 - **Development of the 'Destination Statement'**. This work was carried out by the main board, and reflected the strategic obligations and plans held by the Board
 - **Agreement of corporate 'priority actions and outcomes'** for the Board to focus on. This work resulted in the creation of a 'Strategic Linkage Model' for IIC.
 - **Development of departmental versions of the 'Strategic Linkage Model'**. This work was driven by departmental managers identifying how they and their teams could best 'contribute' to the achievement of the corporate priorities
 - **Selection and agreement of personal objectives**. Carried out within the departmental teams, members of staff agree objectives that focus on how they can best support their department's agreed contribution to the corporate goals.
- The most powerful result is whether this approach worked as hoped. The objective setting system developed is still being used, and this is what one Director said:
 - "2GC Opened up understanding amongst Board members of performance management and made my job a lot easier, and led to personal development for Board members"
 - "I have noticed more communication between Directors: 2GC were a catalyst for this"



2GC Case Study - IIC

Aligning individuals' goals with the business strategy

The Results: Development of the 'Destination Statement'

IIC senior management developed a Destination Statement for the firm

- A well defined picture of a successful IIC in 2008 - 3 years out using five headings:
 - Financial/Shareholder
 - External Relationships
 - Processes & Capabilities
 - Organisation and Culture
 - And Operating Principles
- Approx. 50 statements in total

Rationale for building a Destination Statement

- Get consensus on strategy
- Vital input to IIC Strategic Linkage Model
- Effective tool for strategic communications internally
- Enables 'contributions' to be targeted
- Clarifies the desired 'scale' of the future business

Approach taken

- Strategic document review
- Management interviews
- Facilitated senior management workshop (½ day)
- Off-line working (homework)
- One-on-one validation meetings

Resourcing Required

- Senior management – 1 day each over a couple of weeks
- External support – 10 days over a few weeks



2GC Case Study - IIC
The Results: Development of the 'Destination Statement'
Extract from Destination Statement – IIC in 2008

Shareholder Expectations & Financial	Processes & Capabilities
<ul style="list-style-type: none"> • SMT having 'Coor' IC businesses generated in excess of £300m GBP and £200m AUD in value and profit. • SMTs are well equipped to underwriting profit with an operating ratio equal to or better than 20% (underpinning our peak trading set) • SMT IC business units are of sufficient size to influence owners during the market cycle 	<ul style="list-style-type: none"> • FIC10 Web based applications are used to deliver management information to the whole organisation and external partners as appropriate • FIC10 IC has strength in depth in terms of relationship and business management capability involving Mergers, Project and Change management items • FIC10 IC underwrites every account / deal to 'sell' underwriting criteria and standards • FIC10 IC possesses technically superb highly qualified staff that have the reputation to challenge and improve the organisation • FIC10 IC are sufficiently cost competitive to be considered by clients and partners but win orders through building excellent relationships • and deliver necessary training and development requirements
External Relationships (including with HQ)	Organisation & Culture
<ul style="list-style-type: none"> • SMT HQ and IC trust each other implicitly and have a consensus as to the strategic value of the business and share the same aspirations for its future. There is a symbiotic in the future relationship between senior management and the shareholder • SMT IC manages a core group of strategic partners for both and back office angles claims, risk management, IT, telecomm and against agreed 'standard' criteria. • SMT IC has an agreed market share for each of its key distribution channels and 300% of business from top 100 brokers • SMT Regulators see IC as a 'top quartile' organisation 	<ul style="list-style-type: none"> • SMT IC has no business role with a combination of the best internal and external management talent and is not averse to operating with poor performers • SMT IC has retained local management operational autonomy • SMT IC employees have clear objectives and understand how these fit into the company's business strategy • SMT IC staff are primarily focused on the needs of the company and demonstrate a 'hard and soft' work ethic, rigour and fiscal respect to both colleagues and the company
Operating Principles	
<ul style="list-style-type: none"> • OPI1 Our minimum overall short fall exposure components of the traditional (property, engineering, construction and marine) risk portfolio is 2.5% • OPI2 IC has low exposure to and appetite for underwriting domestic US and natural catastrophe risk. • OPI3 The maximum SMLR per case for SMT IC has not exceeded the respective annual NBP 	

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2GC Case Study / IIC / Aligning individuals' goals with the business strategy



2GC Case Study - IIC

The Results: Development of the 'Destination Statement'

Extract from Destination Statement – IIC in 2008

Shareholder Expectations & Financial

- S&F1 Existing 'Core' IIC businesses generated in excess of £XXXm GEP and £YYYm NEP in year end 2007.
- S&F5 We have returned an underwriting profit with an operating ratio equal to or better than ZZ%, outperforming our peers in doing so
- S&F7 IIC business units are of sufficient size to influence brokers during the market cycle

External Relationships (including with HQ)

- ER1 HQ and IIC trust each other implicitly and have a consensus as to the strategic value of the business and share the same aspirations for its future. There is confidence in the future relationship between senior management and the shareholder.
- ER5 IIC manages a core group of strategic partners for front and back office areas (claims, risk management, IT, telecoms etc) against agreed "brand" values.
- ER6 IIC has an agreed market share for each of its key distribution channels and XX% of business from top YY brokers
- ER7 Regulators see IIC as a "top quartile" organisation

Operating Principles

- OP1 Our minimum overall short tail exposure components of the traditional (property, engineering, construction and marine) risk portfolio is ZZ%.
- OP3 IIC has low exposure to and appetite for underwriting domestic US and natural catastrophe risks.
- OP5 The maximum EML per case for Unit X has not exceeded the respective annual NEP

Processes & Capabilities

- P&C2 Web based applications are used to deliver management information to the whole organisation and external partners as appropriate
- P&C5 IIC has strength in depth in terms of leadership and business management capability including Motivation, Project and Change management skills
- P&C10 IIC underwrites every account / deal to 'set' underwriting criteria and standards
- P&C12 IIC possess technically superb highly qualified staff that have the capabilities to challenge and improve the organisation
- P&C14 IIC are sufficiently cost competitive to be considered by clients and brokers but win orders through building excellent relationships
- and deliver necessary training and development requirements

Organisation & Culture

- O&C4 IIC fills key business roles with a combination of the best internal and external management talent and is not averse to dispensing with poor performers.
- O&C5 IIC has retained local management operational autonomy.
- O&C6 All employees have clear objectives and understand how these fit into the company's overall strategy
- O&C12 All staff are primarily focussed on the needs of the company and demonstrate a 'hard and willing' work ethic, loyalty and mutual respect to both colleagues and the company,

2GC Case Study - IIC

Aligning individuals' goals with the business strategy

The Results: Agreement of corporate 'priority actions and outcomes'

Senior management designed a Strategic Linkage Model (SLM) for the firm

- The SLM documented the priority activity and outcome objectives for the IIC Board for the year ahead (on the way towards achieving the Destination Statement set three years out). The SLM also illustrated the Board's beliefs about the causal relationships between these objectives

Rationale for building a Strategic Linkage Model and defining Strategic Objectives

- Senior team consensus on the short to medium term priorities on the way to the overall Destination
- Identifies the key strategic activities to undertake and strategic outcomes being sought
- Communicates immediate strategy/priorities
- Enables localisation of strategic objectives
- Helps with personal measures

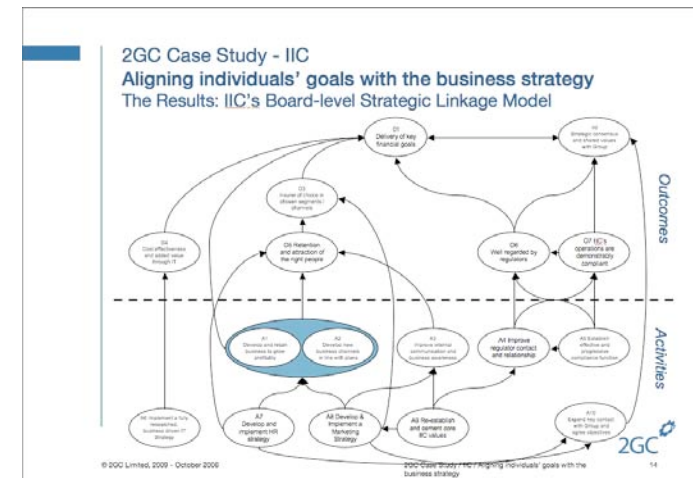
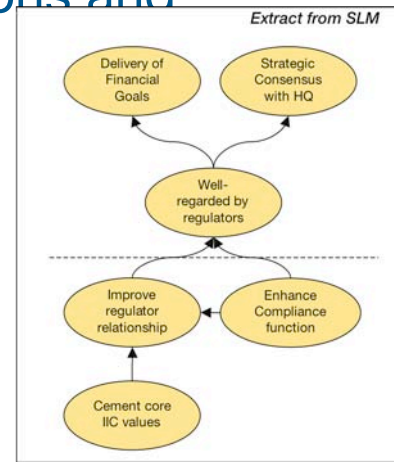
Approach taken

- Facilitated senior management workshop (1/2 day)
- Off-line working (homework)
- One-on-one validation meetings

Resourcing Required

- Senior management – 1 1/2 days over 1 month each
- External support – 10 days over 1 month

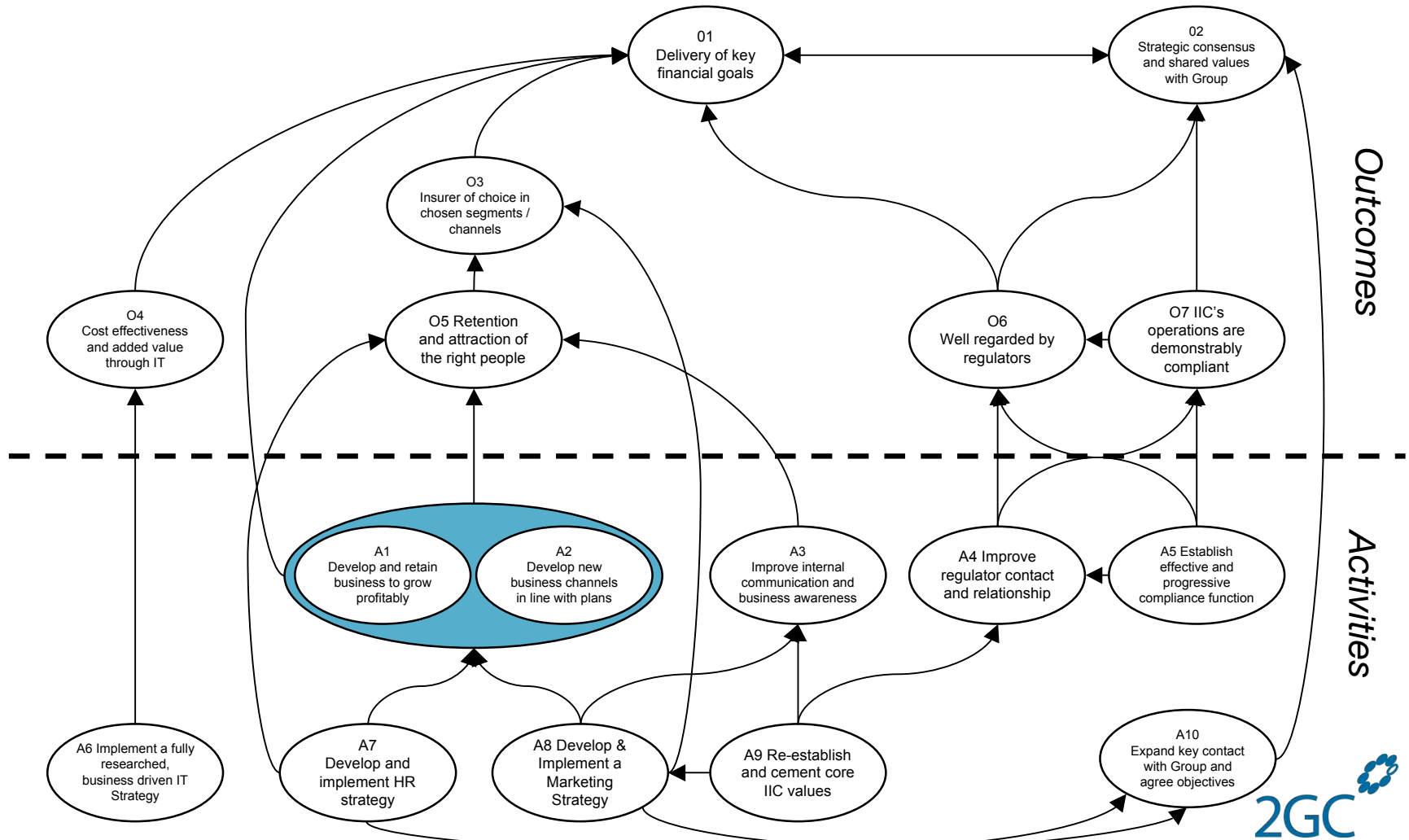
IIC's Outcome-type Strategic Objectives...



2GC Case Study - IIC

Aligning individuals' goals with the business strategy

The Results: IIC's Board-level Strategic Linkage Model



2GC Case Study - IIC

Aligning individuals' goals with the business strategy

The Results: Example of an Objective Definition

Objective Name	O3 - Insurer of choice in our chosen segments and channels
Objective Description	<p>This means that key broker channels (for the quality and quantity of business we wish to write) regard us as a market capable of dealing with their clients. This requires IIC to be an acceptable credit security, for price to be competitive but sensible, for staff to be high quality and technically excellent, and for service performance to be market leading.</p> <p>From a client perspective, IIC needs to be supported by broker/consultant recommendation and to be considered as a secure insurance carrier capable of delivering performance promises.</p> <p>We win the business we want and not to lose business we wish to retain. A bi-annual survey will be used for an in depth review of market opinion.</p>
Owner	Objective Issues & Risks
John Smith	<ul style="list-style-type: none"> Uncontrolled growth may lead to underwriting losses Satisfactory RTBL targets may be sacrificed to achieve retention / new business targets
Responsible Team	
Fred Bloggs Susan George	
Measures / Metrics	
Lapse ratio (for those we do not want to lose)	
New business volumes	
RTBL indicators	

An objective definition form like this was prepared for each of the objectives on the SLM. The objectives were defined by the management team that built the SLM to ensure language and meaning was appropriate for use within IIC

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Aligning individuals' goals with the business strategy

The Results: Development of departmental versions of the 'Strategic Linkage Model'

Departmental management teams designed local versions of the corporate SLMs

- Each SLM documented the department's own Strategic Objectives:
 - Derived from the corporate Destination Statement & SLM
 - Identifying departmental contributions
 - Maximum of 5 each type
 - Revised and validated
 - Shared

Rationale for building departmental Strategic Linkage Models

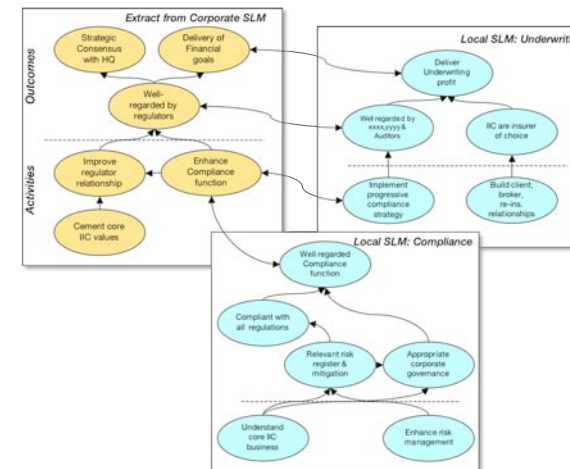
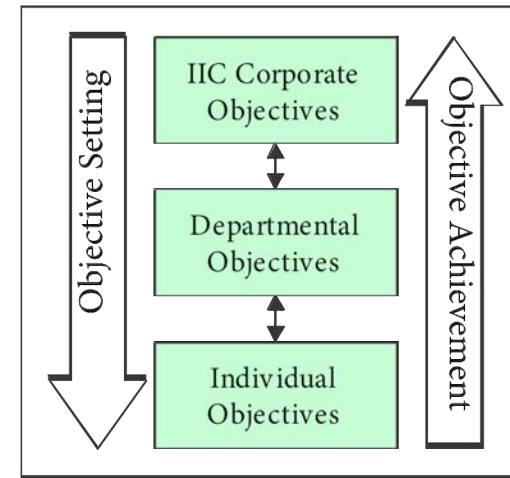
- Departmental consensus on short to medium term priorities
- Identified the few departmental strategic activities required and the few strategic outcomes sought, in support of corporate strategy
- Again, helps with measures selection at personal level

Approach taken

- Briefing packs
- 'How to' training sessions
- Dept/team meetings (½ day)
- Help clinics
- Off-line quality assurance
- One-on-one validation meetings

Resourcing Required

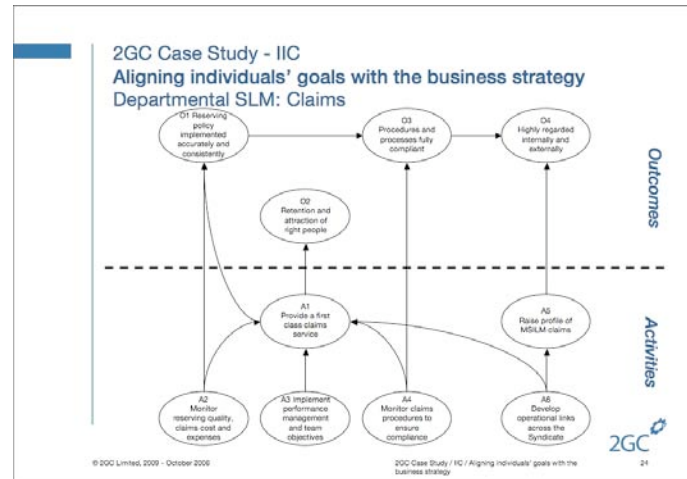
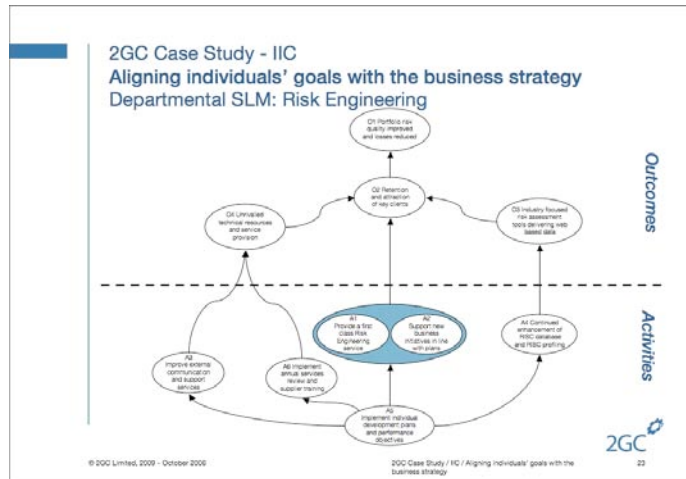
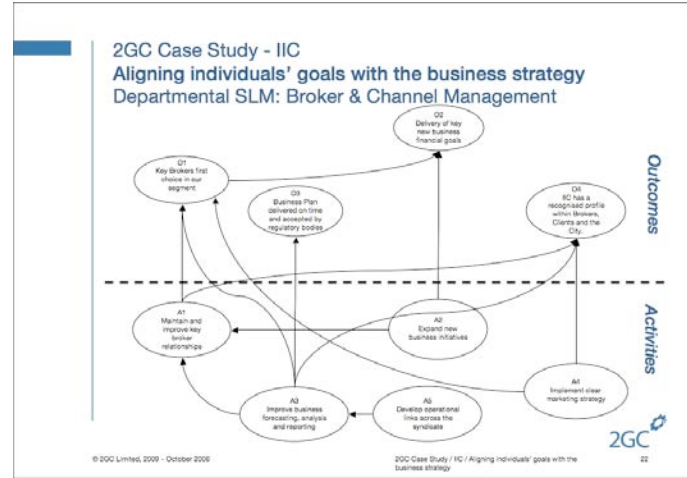
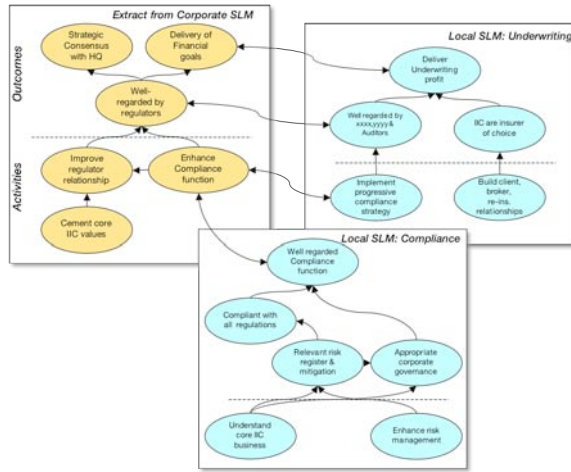
- Departmental management – 1 day over 1 month each
- External support – 15 days over 1 month



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The Results: Examples of Departmental Strategic Linkage Models



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The Results: Selecting personal objectives

All staff defined a handful of personal objectives for the year ahead

- Principles:
 - Maximum 5 + 2 objectives
 - Objectives to directly support a departmental/corporate Strategic Objective
 - Objectives weighted for importance
 - Maximum weighting for development goals
 - Managers - more outcome objectives; staff – more activities
 - Measured and targeted for the year ahead
 - Individual objectives 'add up' to departmental objectives
- Rationale for this approach
 - Ensured employee objectives directly support strategy
 - Fostered team dialogue on goals and targets – shared & individual
 - Staff and manager share clear understanding of objectives
 - Balanced sets of personal objectives defined
 - Supports employee capabilities development strategy
 - Allows more objective appraisal of actual staff performance
 - Allows a controlled linkage of performance and reward.
- Approach taken
 - Briefing packs
 - 'How to' training sessions
 - Dept/team meetings (¼ day)
 - Draft produced by staff member
 - Help clinic
 - One-on-one refinement/ validation meetings
 - Off-line quality assurance
- Resourcing Required
 - Managers – 2-3 days each over 2 months
 - Staff – 1 day each over 2 months
 - External– 20 days, 2½ months

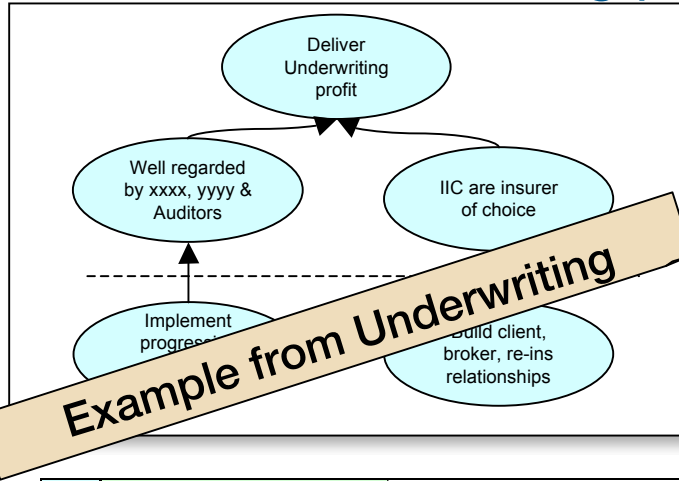
Seven Questions (for Seven Objectives)

What is this personal objective?
Business or development objective?
What corporate/ departmental objective(s) are you supporting here?
Activity or outcome objective?
What is the measure?
What is your target (and baseline, if available)?
What weighting for this objective (importance)?

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The Results: Selecting personal objectives



Example of the briefing instructions given to managers when setting personal objectives

	Linked Objectives	Some Potential Measures	Measuring . . .
Outcome	Highly competent staff	Client rating of staff competence	Final Outcome
		Number of skills gaps closed	Interim Outcome
Activity	Train staff	Number of staff trained	Activity Output
		% of planned training events undertaken	Activity Completion

Recommendations

- Be clear on whether your objective is about doing something (activity) or achieving something (outcome) – select your measures accordingly, if possible
- Be practical – some 'imperfect' measures are inevitable
- Communicate the intention to not mechanically appraise against targets in future – i.e. considering also the context of employee intent, market conditions, etc – this will reduce 'game playing' with targets

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PM1 Form	Year	2005
	Name	Joe Smith
	Department	Unit X

Version	Final (2 March 2005)
Approved	Roger Bacon

		Objective Setting					
Personal Objective	T	Measure	2004 Baseline	2005 Target	Weight	SLM Objective Supporting	
Business Objective	B1	Contribution to Unit X budget/business plan	Unit X target: underwriting profit Unit target: volume	TWP: £AAA m GULR: BB% NULR ZCC%	TWP: £XXX m GULR: YY% NULR ZZZ%	10% 10%	O1 - Deliver Underwriting profit O2 - Staff deliver against communicated operational goals
	B2	High quality relationships with key clients and intermediaries	Quality of feedback and service to/from syndicate, insurance brokers and treaty reinsurers and other additional external parties as appropriate	Retention CC% NB £ DDm	Retention EE% NB £ FFm	20%	O4 - IIC are an insurer of choice O3 - High Reputation of staff skills in UK market
	B3	XXXX is compliant	Business managed within Underwriting Plan evidenced by Audit/Compliance/Regulatory reviews	Positive Feedback	No significant audit issues, all minor issues resolved within agreed timescales	30%	O5 - Well regarded by xxxx, yyyy and IIC auditors
	B4	Write combined policies (with at least one other class of business)	Cross class teamwork evidenced by number of new combined policies written involving Casualty	6 (department)	10 (all departments)	15%	A6 - Build operational linkages across the syndicate
	B5	Put forward and implement initiatives to increase efficiency and effectiveness of Unit A Team	Improved efficiencies in process; streamline administrative functions; increase time to underwrite	n/a	Roll out of quality; introduction of regular nat cat analysis and mapping; oversee rating and policy wording developments being undertaken by underwriters	10%	O4 - IIC are an insurer of choice O5 - Well regarded by xxxx, yyyy and IIC auditors
Dev't Obj(s)	D1	Complete Excel training to intermediate level	A	2 days		5%	A3 - Develop skills (facilities) and capabilities of team

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Aligning individuals' goals with the business strategy

Contents

- Introduction to the case
- The approach used
- The results
- About 2GC Active Management

Key Facts

- Founded in 1999
- Focus on Corporate Performance Management issues in private and public sector
- Consultancy, audit and training services
- Offices in the UK and Norway
- Partner organisations in Europe, USA, Middle East and Asia
- International - clients in 33 countries spread across five continents
- Huge amount of practical work experience - well over 150 separate Balanced Scorecard design projects
- Thought leadership - over 20 academic research papers published since 2000
- Award winning web site



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Introducing 2GC Active Management

To find out more...

Meet 2GC

- Training Events (www.2gc.co.uk/services-training.asp)
 - Next is: 5th/6th December 2006 – Henley, UK
- Conferences (www.2gc.co.uk/events.asp)
 - 2GC regularly speaks at academic and practitioner conferences in locations around the globe. Check out the 2GC web site for more details of forthcoming events

Read 2GC Materials (www.2gc.co.uk/resources.asp)

- The Performance Management Resource area on the 2GC web site contains Presentations, FAQs, Case Studies, White Papers, Internet Links, Software Vendor database – all free to access and download
- Recommended - 2GC Paper - “Evolution of the 3rd Generation Balanced Scorecard”

Contact 2GC

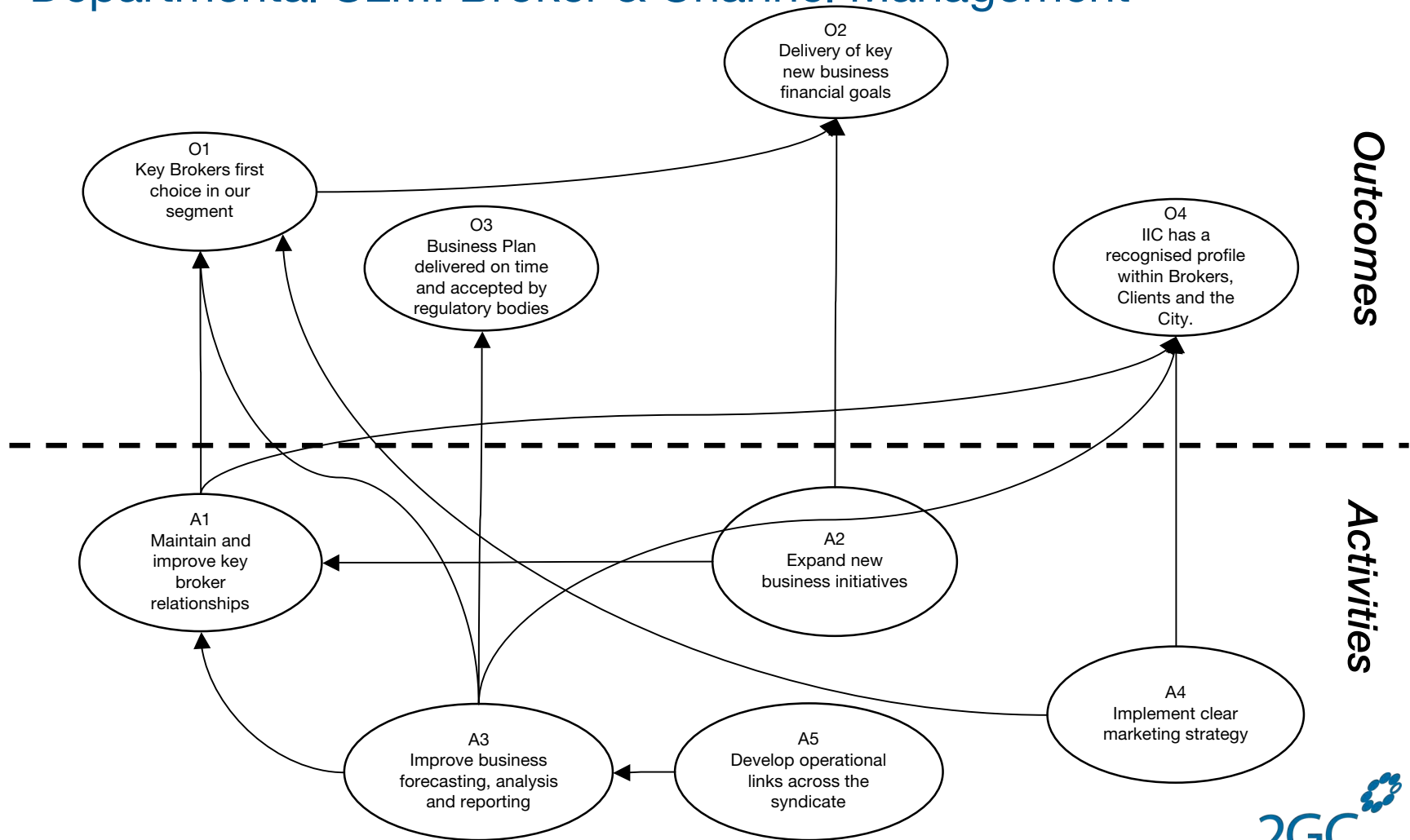
- Let us know if you have a question you can't answer, we'll do what we can to help... email to Ask2GC@2gc.co.uk, call on +44 (0) 1628 421 506, or put question in forum at www.2gc.co.uk/forum



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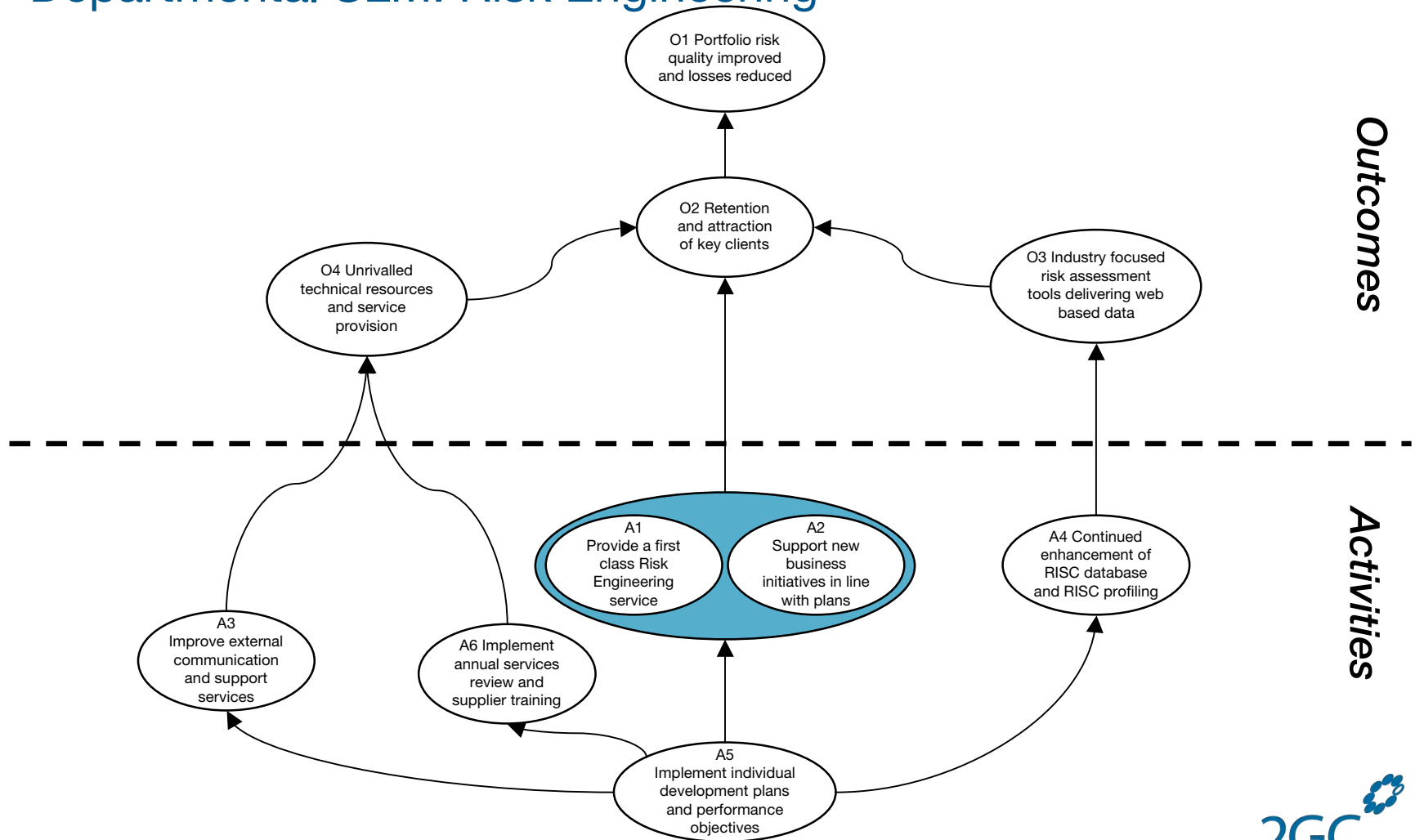
Departmental SLM: Broker & Channel Management



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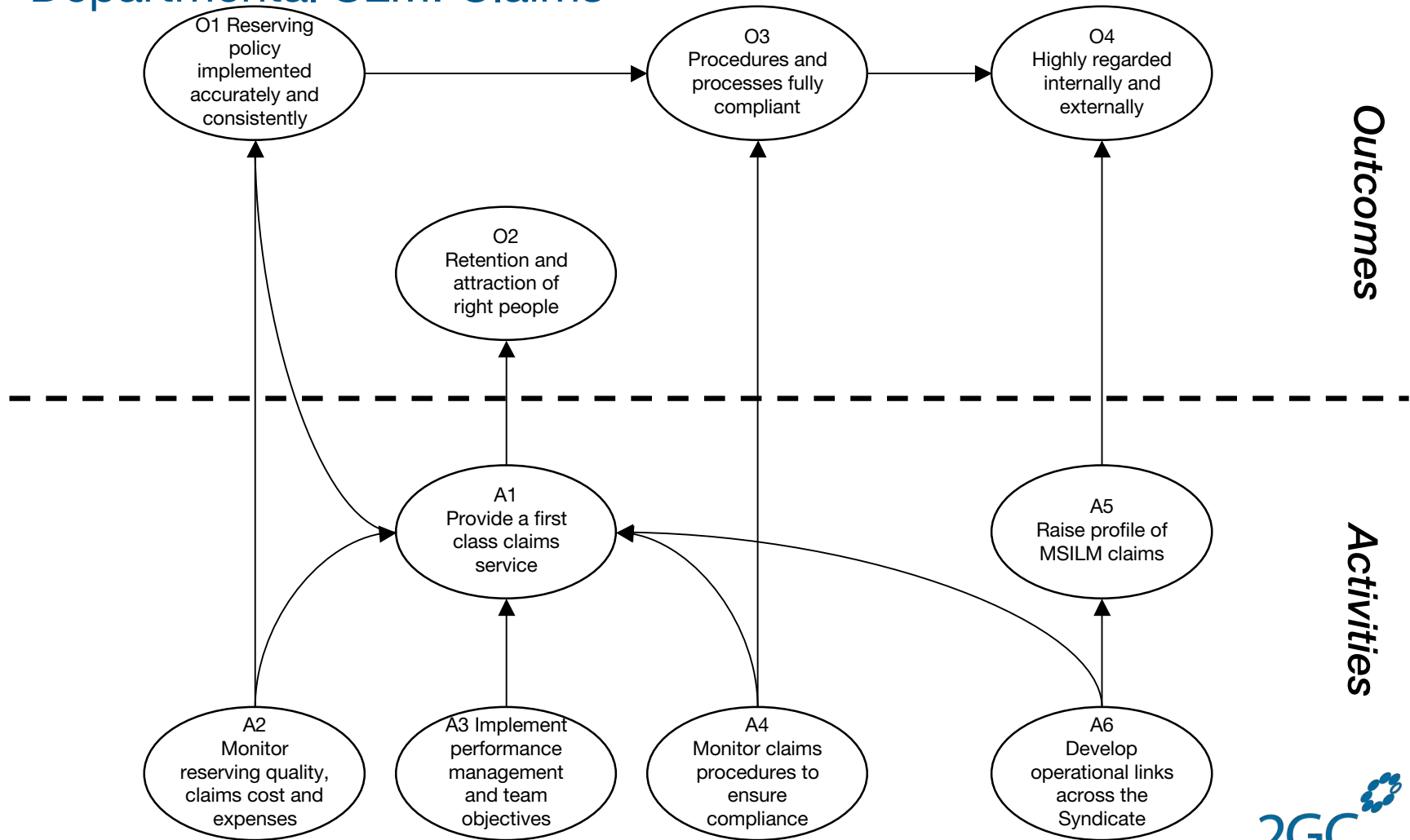
Departmental SLM: Risk Engineering



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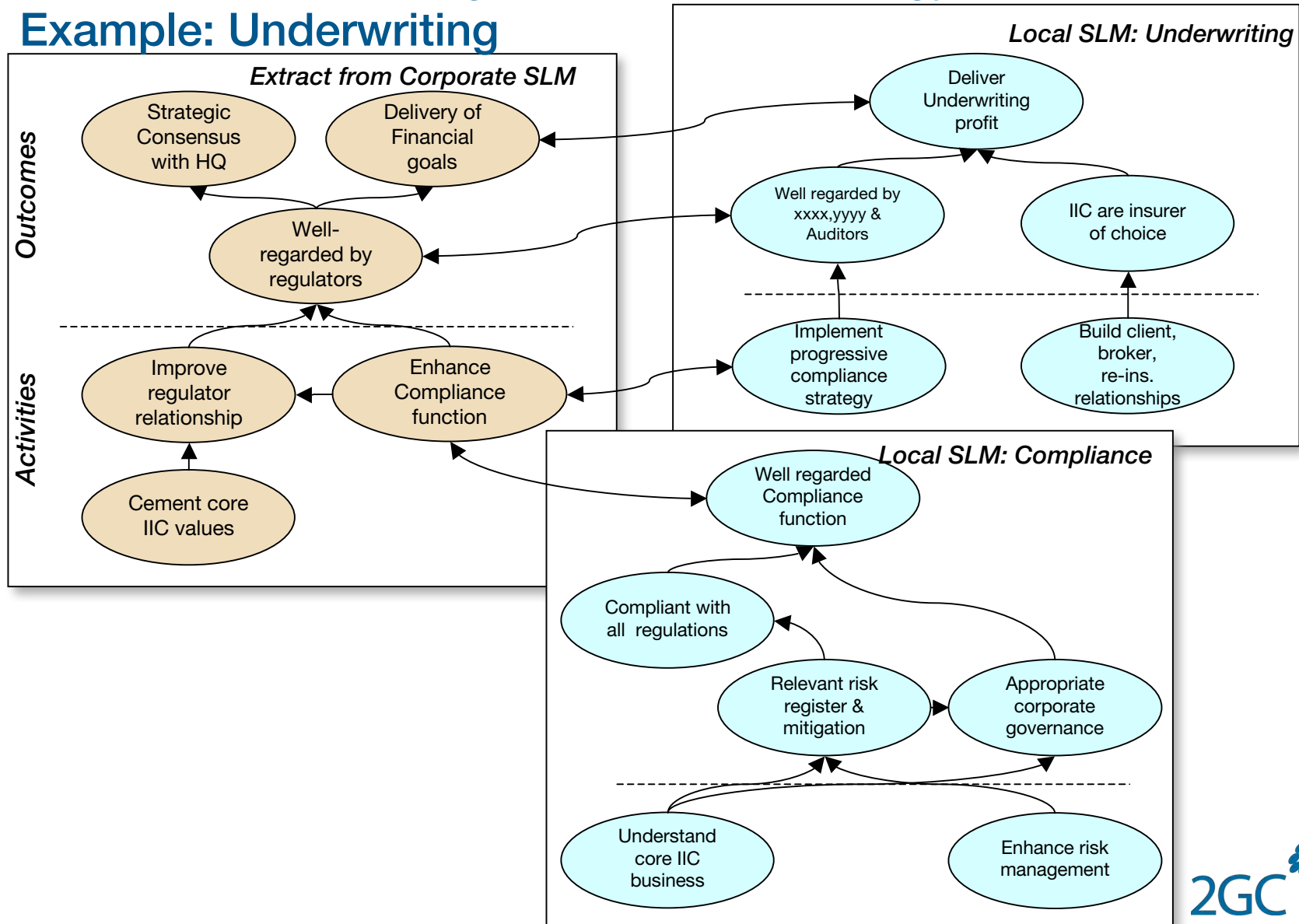
Aligning individuals' goals with the business strategy

Departmental SLM: Claims



Step Three: Cascading the corporate strategy (ctd)

Example: Underwriting



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