

## Part 1

### Learning Outcome 5: [34%]

68 marks

Students will demonstrate knowledge and skills to lead and model an entity culture and/or values that support success.

## Part 2

### Learning Outcome 6: [3%]

6 marks

Students will research, evaluate and communicate information to manage human resources

### Learning outcome 7: [3%]

6 marks

Students will demonstrate effective communication skills to engage with stakeholders

## Part 1

68 marks

### Case:

Founded in 1853, Aetna, Inc. is an American diversified health insurance company, providing a range of traditional and consumer-directed health care insurance products and related services, including medical, pharmaceutical, dental, behavioural health, group life, long-term care, and disability plans, and medical management capabilities. With revenues of \$30.950 billion (2008) and a workforce totalling 35,258 (2008), Aetna is a member of the Fortune 100. Aetna advanced up the Fortune 500 list in 2009. The company's strong 2008 revenue gains were largely the result of Aetna's integration and segmentation strategies, which led to strong membership gains.

**The Aetna Mission:** Aetna is dedicated to helping people achieve health and financial security by providing easy access to safe, cost-effective, high-quality health care and protecting their finances against health-related risks. Building on our 156-year heritage, Aetna will be a leader cooperating with doctors and hospitals, employers, patients, public officials and others to build a stronger, more effective health care system.

**Vision:** To earn the distinction, financially and by reputation, of being the preferred benefits company in all aspects of our business. We strive to be the industry leader by including the best ideas and perspectives available. This in turn enables Aetna to develop the most relevant solutions for each of our markets.

**Strategy:** Aetna will be the industry leader in the diverse marketplace. We will deliver best-in-class service to our customers because we want them to be comfortable when doing business with us. To achieve this mission we will: Create innovative and tailored product and service solutions that will meet the unique needs of our customers. Develop a diverse supplier base, reflecting our multicultural environment, that supports innovative ways to deliver best-in-class services to them. Build a workforce that fully understands the diverse communities where we do business. Foster a culture of inclusion that grows a diverse talent pool and recognizes and rewards the contributions of every employee whilst allowing employees to do their best work.

Ron Williams is the CEO of Aetna Inc., his case study begins in 2001, when he arrived to



## 603 Human Resource Management – Assignment No. 2

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find a corporation (Aetna) in need of change -- having lost \$280 million in the past year. He diagnosed key areas of failure and opportunity in Aetna's vast enterprise: orchestrating medical, dental and other health and insurance benefits in a network of 843 thousand health care professionals with 37 million members.

Williams shaped a path to recovery, focusing on a better understanding of Aetna's current customers, from small employers to the largest corporations, and concentrated on the best way of expanding into new markets such as retailers, banks and law firms. To do this, Aetna needed to build products and services suited for those groups, and Williams' strategy involved developing integrated information systems for both employers and consumers, to ensure cost-effective and high quality health care delivery.

Williams repeatedly made the case for this new strategy directly with Aetna's staff. He pressed the issue of values: integrity, employee engagement, excellent service and high quality healthcare, and implemented employee surveys and biannual performance reviews. Employees were invited to answer whether they believed their supervisors held true to Aetna's values and whether they were proud to be working with the company. Williams has noted a marked improvement in responses over just a few years.

External benchmarks reflect positive growth as well: Aetna has reached the number one spot as Fortune Magazine's most admired health care company, after occupying the bottom position. Williams invested a great deal in technology he believes will "shape the future of health care." He describes a Care Engine, containing an individual member's personal health record and up-to-the-minute journal information and health guidelines that are "converted into computer algorithms." This system can detect and fill gaps in care for patients - conditions that go undetected, tests that should be administered, medicine that should not be prescribed.

Williams has also given consumers the ability to find and compare the costs of tests and doctor visits. He believes we can check the trillions of dollars in health care spending through smart technology. For him, health care reform means we "get and keep everyone covered; maintain the employer-based system... reorient the system toward prevention, value, and quality of care; and use market incentives to improve coverage, drive down costs and make the system more consumer-oriented."

### **Task:**

Go to the link provided below and watch the conversation with Ron Williams. For your help, a part of the transcript is also provided.

<http://techtv.mit.edu/videos/16460-leading-change-a-conversation-with-ron-williams>

00:00 – 00:04:30|INTRODUCTIONS|Positions the lecture - a corporate turnaround: the company was failing in 2000/1, through change- new leadership and a strategy focusing on customers, employees, company values and culture, information technology and management, the company was turned around. From almost the bottom in the rankings to the top by 2008.

00:04:30|RON WILLIAMS TAKES THE STAGE | Explains how the company had lost its way/ outlines the structure of the presentation

00:06:15|AETNA TODAY (2008)|37 million members over eight countries, 35 thousand



employees...

00:09:00|STRATEGIC PATH TO INDUSTRY LEADERSHIP| Williams describes three phases (one) 2001-4; (two) 2004-6 and (three) 2006-8; for each stage Williams evaluates the strategic, operational and financial performance: in phase one the company was losing money and went BACK TO BASICS, seeking to better understand its customers, their needs, THE COMPANY AND ITS VALUES; in phase two, the company witnessed average returns, refined segmentation and focussed on perfection of the basics and in phase three, the company was in the top tier of the industry-strategically they focussed on innovation, information and integration and SET OUT TO DIFFERENTIATE THEMSELVES WITH UNIQUE OPERATING CAPABILITIES - the strategic path to industry leadership is explored in more detail in the remainder of the lecture

00:11:30 - 00:12:00|Change|Williams discusses the start of the path to industry leadership; he had to make the case for change which involves communication with employees. Williams argues, “ understanding how to manage change effectively is an extremely important tool and skill set that will serve you well”

00:12:00|Strategy|Created a strategy called the three I's: information, innovation and integration; an executive management information system (dashboard) was created and made available to all, presenting one version of the truth and improving the speed and quality of decision-making. Williams emphasises the need for communication of both problems and solutions

00:13:15|CULTURE|CREATED THE AETNA WAY: customer focus, better articulated and demonstrated VALUES (integrity, quality and value, excellence and accountability, employee engagement)

00:14:10 |as a leader| Williams, whenever he addressed a group of employees within the company, would first talk about the values and demonstrated their importance

00:15:00| EMPLOYEE ENGAGEMENT | Williams emphasised the importance of employee engagement, suggesting that an engaged workforce was satisfied and this led to increased motivation

00:16:15||Employee surveys were implemented: employee surveys participation shifted from <50% at the beginning of the decade to almost 100% towards the end (best in class) similar changes were observed in loyalty with more employees indicating they were proud to work for the company and more employees behaving in the Aetna way (a stronger culture)

00:19:45|Leadership|The Company focused on developing high performing leaders - improvements were made in performance management, succession planning, leader development and leadership assessment

00:26:00|Milestones|

00:32:30|Environment|The environment is discussed: Health expenditure is growing, as are costs...

00:34:40|Leadership strategy and the role of information technology| Aetna will “lead the industry in providing high quality, cost-effective and personalised health and related solutions that leverage information to meet the needs of our targeted customers”. A fundamental part of the strategy requires investment in information systems; such systems have enabled capabilities that competitors cannot easily emulate because many of them operate multiple unintegrated systems. Williams moves on to discuss the care engine, patient data, a knowledge base, decision support technologies, finding and suggesting care options and the provision of information to carers

00:35:50|Lessons learned|

00:37:48| LEADING AND MANAGING |Important to know the difference between leading the managing

00:40:00|End lecture|| Question session|



00:43:47|CORE VALUES| WILLIAMS FURTHER EXPLAINS HOW THEY DERIVED CORE VALUES WHICH WERE ALREADY IN EXISTENCE BUT WERE IN NEED OF BETTER PROMOTION

00:48:50|Principles of leading, communication| Williams explains that people had no idea that the company was losing money i.e. the need for change; he recognised the need to inform employees about the situation on an ongoing basis.

00:54:50|LEADERSHIP VERSUS MANAGEMENT| A member of the audience posed the question - can someone who is not seen as a leader be an effective manager? Williams argues that they can but...

### Questions:

Answer these questions based on the scenario and the video:

#### Q1: LEVELS OF ORGANISATIONAL CULTURE

In your groups, drawing upon information from the film, text books and your wider experiences; discuss what is meant by organisational culture. In your discussion, you should identify the common aspects of the many definitions of organisational culture and comment upon levels of culture. Consider the film you have just watched, which level of culture is mentioned most frequently? (15 marks)

#### Q2: VALUES

Distinguish between values, espoused values, enacted values and assumptions; list the Aetna, Inc core (espoused values) and discuss how they were created. (15 marks)

#### Q3: FUNCTIONS OF ORGANIZATIONAL CULTURE

“The stronger the culture and the more it was directed toward the marketplace, the less need was there for policy manuals, organization charts, or detailed procedures and rules”.

What is meant by a strong culture and how might such a culture impact upon organisational performance (you should consider both positive and negative consequences)? (12 marks)

#### Q4: ORGANISATIONAL PERFORMANCE:

Consider the role of culture in relation to organisational performance; explain what is meant by the “Fit” and the “adaptation” perspective and evaluate these concepts in relation to Aetna, Inc. (12 marks)

#### Q5: THE ROLE OF THE LEADER IN SHAPING AND REINFORCING CULTURE:

Evaluate the leader's role (for example that of Ron Williams) in shaping and reinforcing culture. (6 marks)

#### Q6: MANAGING CULTURE:

Discuss whether culture can be managed and suggested approaches used to manage culture if you believe that it can be managed. Evaluate why Aetna, Inc soared to develop a culture of empowerment and quality amongst other things. (8marks)



**MARKING SCHEDULE**

Questions	Total marks	Marks obtained	MPLO
Q1: Meaning of Organisational culture provided ( 5 marks) Identify common aspects of various definitions ( 5 marks) Comment on levels of culture provided (3 marks) Level of culture mentioned in film provided and explained (2marks)	15		YES
Q2: Differences provided at least 4 (1 marks each) Core values of Aetna, Inc. provided ( 6 marks) Creation of these core values explained (5 marks)	15		
Q3: Strong culture explained ( 6 marks) Impact of strong culture discussed (6 marks)	12		
Q4: Role of culture provided ( 6 marks) Meaning of both perspectives provided and evaluated (1 marks each)	12		
Q5: Role of Leader explained	6		
Q6: Management of culture discussed (4 marks) Evaluation of Aetna’s culture provided (4 marks)	8		
<b>Total for Part 1</b>	<b>68</b>		

**Marking schedule for Part 2**

Required content	Allocated mark	Team mark	MPLO
• Key points of Organisationsa Culture were covered and clearly made	5		NO
• The speaker was well prepared and knowledgeable	2		
• The speaker used their voice effectively – appropriate volume, pace, pitch and clarity	2		
• Appropriate eye contact was maintained	1		
• Body language was effective and supported the presentation	1		
• Overall the speaker was enthusiastic and engaged well with the audience	1		
<b>Total for Part 2</b>	<b>12</b>		

**End of assessment**