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Strategy With a Sharp Focus



The Society of Actuaries has learned that focus, framing, and flexibility are the keys to helping a board make the right strategic choices at the right time.

By Douglas R. Kelly

Who would have thought gourmet jam could offer such insight into the psychology of making choices—

and by extension, your association's board?

In 1995, Columbia University Professor Sheena Iyengar set up a tasting booth in an upscale grocery store in California and observed the behavior of more than 750 shoppers over two days. On the first day, consumers were given a choice of 24 different flavors of Wilkin & Sons brand jam. Just six flavors were available to test on the second day.

Of the shoppers who encountered the extensive-choice booth, some 60 percent stopped and tested the jam. Of those who encountered the limited-choice booth, just 40 percent did a taste test. This suggests that the greater number of options was initially more attractive to participants.

But when it came time to make a buying decision, just three percent of the consumers who tasted at the extensive-choice booth purchased a jar of jam. Almost 30 percent of the limited-choice participants did so.

The results of this study can't be taken as proof that greater choice leads to decision paralysis. But they do suggest that, while having a range of alternatives available is generally positive, there comes a point at which having too many choices hinders progress.

What does jam have to do with your association? Think of it this way: Your board of directors is tasked with developing and guiding the strategic direction of your organization. Choices play a key role in meeting that challenge, and the number and quality of those choices is critical to success.

Here's how one association developed a set of tools to enable the development of viable choices for board deliberation and implementation—a system that can be used

by nearly any association to help its board rise to a truly strategic level.

More Than a Plan

Going into 2008, the Society of Actuaries (SOA) was working with a strategic plan that was into its third year. Board members and staff felt the time was right to revisit the plan and to assess how to move forward.

More than that, though, there was a sense that SOA's process of strategy management was not producing the results the organization wanted.

"We wanted to simplify the process," says Gregory Heidrich, executive director of SOA. "The process we were attempting to use was perhaps a little more complicated and required more resources to support than we could [allocate to it] at the time."

SOA serves more than 20,000 members in more than 70 countries. These members are

actuaries, professionals who measure and manage risk in sectors such as financial and investment management, health-benefit systems, and life insurance.

“The other impetus that led us to this,” says Heidrich, “was the conviction that probably a lot of people have, that we’ve all created strategic plans and failed to see them implemented in the way we would like. So, just as important as creating a strategic plan and a set of initiatives was to create a process that would help ensure we were getting the execution that we wanted.”

A strategic-planning committee made up of both volunteers and staff was established and tasked with reviewing and updating the strategic plan for the organization. Viewed as a temporary entity from the start, the committee developed several important deliverables for the board of directors.

First up was a Strategy Map, which articulated the mission and vision of SOA and identified four key strategic areas: key stakeholders, strategic themes, core goals for volunteer members and staff, and core financial goals for the health of the organization. (The SOA Strategy Map can be seen on page 56.)

Second was a set of initiatives—specific steps and tasks to be carried out in support of the Strategy Map. To ensure the initiatives were aligned with the strategic plan, or “mapped to the map,” SOA used the Strategy Map template for the Initiatives Map. A set of balanced-scorecard measures was also developed and approved by the board.

At the end of its one-year term, the temporary planning committee presented the Strategy Map and initiatives to the board of directors. The board evaluated and accepted the recommendations from the committee, which was then disbanded.

Focus and Choice

The decision makers at SOA now had a strategic plan, metrics for measuring progress, and a set of initiatives for fulfilling the plan. What was needed was an entity to manage and measure the process of executing the plan while working closely with the board.

That entity turned out to be what SOA calls its Issues Advisory Council, a team made up of board members as well as subject matter experts who complement

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the board’s areas of expertise. The IAC reports directly to the board, which gives the board its desired engagement with the strategy process.

“This is an advantage because they [the board members on the IAC] have a very good knowledge of how the board works and of how the board thinks as a group,” says Tonya Manning, IAC chair. “And it’s important to point out that the IAC is not setting strategy for the organization; it’s simply advising on how we’re doing on meeting our strategic initiatives.”

It’s also providing focus, which enables viable choices to be developed. Among the IAC’s members are three team leaders: the chairs of the Develop Knowledge Team, the Transfer Knowledge Team, and the Cultivate Opportunities Team. The three teams correspond to the key themes of the strategic plan.

The SOA staff liaison to the Develop Knowledge Team, Emily Kessler, says focus and choice are central to the role of each team: “A lot of what we do on staff is to

help the volunteers to frame the issue so that we can successfully work through an appropriate strategy. It’s starting with the right question, and then as you start answering that question, narrowing and winnowing it down to a series of action items that will achieve the goals you set for yourself. You’ve got to be asking the right questions along the way and making sure that the answers you’re getting can take you to the next step.” (In addition to her role on staff, Kessler is a Fellow of SOA.)

Kessler works closely with the chair of the Develop Knowledge Team, Anne Button, who agrees that framing the issues is vital to successful outcomes. For example, one of the team’s key initiatives, strengthening the role of academia, started out as another issue entirely. “The issue originally had to do with accreditation,” says Button, “and whether SOA should allow universities to give SOA credit to people who take certain courses ... as far as fulfilling the SOA credential.”

The Develop Knowledge Team saw the

FIVE FUNDAMENTAL PRINCIPLES

The Society of Actuaries’ strategic-management process rests on several fundamental principles that will go a long way toward enabling your board to operate at a strategic level.

- 1. Balance stability and flexibility.** Putting a disciplined process in place can actually increase an organization’s ability to respond quickly and flexibly to change.
- 2. Frame the issues.** Intelligently focusing key questions and challenges for the board will put an organization ahead in the strategy department.
- 3. Create choices.** A reasonable number of feasible options must be developed and presented for evaluation as solutions to problems. This applies at the strategic-initiatives level, too. “In my view, the most important thing is to not have too many strategic initiatives,” says Alice Rosenblatt, chair of SOA’s Cultivate Opportunities Team. “I think you want to have 10 or fewer, so you’re really focused on doing a few things and doing them well.”
- 4. Continually sharpen and improve.** “You want to ensure that the process is a tool and that it facilitates change,” says Margaret Ann Jordan, CAE, SOA’s managing director for strategy and technology. “That’s key to the success of this kind of program.”
- 5. Facilitate relationships.** Solid working relationships between staff, volunteer leaders, and members are critical to any strategic initiative.

accreditation debate as missing the mark. "We decided it was important to reframe the issue. We decided the question was actually whether or not the role of academia [in SOA] should be strengthened. The number of members in academia had been stagnant or declining, so we told the board that that was what we wanted to focus on and that we saw accreditation as really a secondary issue."

After surveying both academics and nonacademics, the team came up with a number of initiatives to propose to the board. "We were able to give the board 12 or 13 choices," says Kessler, "and they were able to winnow it down to four things that they were really interested in."

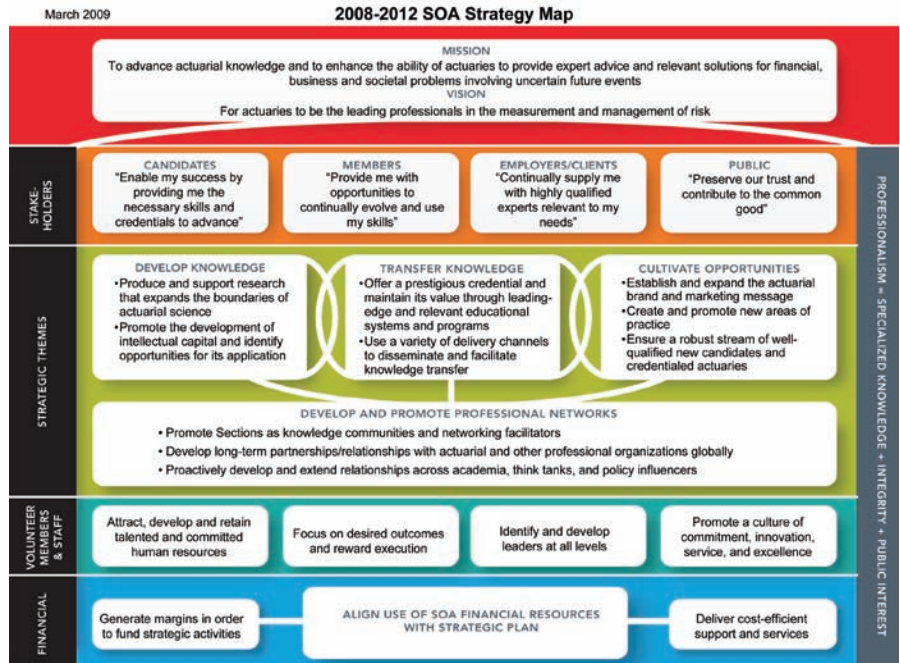
One of the four was the creation of a program called Centers of Actuarial Excellence. The aim of the program is to reward schools that SOA believes are the "best of the best" in terms of teaching the actuarial sciences. The team proposed the program to the board in a focused presentation, and the board approved it. "It's been incredibly successful," says Button.

"We're seeing the schools using [the Center of Actuarial Excellence designation] already," says Heidrich. "They're using it in their marketing to students and in their statewide newspapers."

If Button and Kessler had come to the board and stated that the role of academia needed to be strengthened in SOA, but offered no options for reaching that goal, the result could well have been endless debate without a final decision. Instead, the Develop Knowledge Team prepared choices in advance for the board to consider.

"You have to ask the right question so you can get to a better answer," says Margaret Ann Jordan, CAE, SOA's managing director for strategy and technology. "Especially if there's a question that's been raised and dropped, raised and dropped, and hasn't moved forward successfully, that's when it's important to step back and see if the problem is not so much the answer as the question."

Another key to SOA's success with this strategy-management process has been the way the tools enable the organization to have stability—a disciplined approach that ensures the right questions are asked and the right answers are developed—while also enabling flexibility, which is important



when it comes to changes in the market.

"I think every organization wishes they were a little bit more flexible and nimble in reacting to business conditions," says Manning, "and SOA is no different. However, while we may appear to be adding a layer of bureaucracy with the IAC, it actually has increased our ability to respond to issues and challenges, because we now have a process for framing the issues and presenting viable, intelligent choices to the board of directors."

Jordan agrees. "It's important to have a multiyear plan so the organization doesn't shift course every time there's a change in volunteer leadership. But the environment changes quickly, so you need to balance that with flexibility."

Scaling and Adapting the Model

While the way SOA has implemented its strategy-management process involves a certain level of staffing and volunteer commitment, the basic building blocks of the system are not dependent on the number of staff or volunteers you have available.

"I think if you take the principles that are underlying the structure that we selected and apply those to how you're managing your organization ... taking those general principles and applying them to how you're managing is the most important thing versus duplicating the actual structure," says Manning.

Heidrich believes the structure is scalable and can be customized. "You may not need to have an issues advisory council with three working groups or working teams underneath. You may just need to have a strategic-planning committee. We happened to have chosen to use, in essence, a four-committee structure to run it. But I think you could run the same type of system with three initiatives and one committee."

Once your organization has adopted a strategic plan, a system such as the one used by SOA will enable you to focus the issues and questions that need board input or approval. But be sure to keep the numbers manageable when it comes to strategic initiatives.

"The mistake I see most organizations making is too many initiatives," says Heidrich. "You see strategic plans that have 30 different things on them. We've been critical of ourselves at times for even having 10. That's a mistake, to keep going up, because you do two things: You unfocus your efforts, and you wind up including, at least in my experience, a lot of projects that aren't really strategic initiatives. They're projects. They need to be done, but they're not strategic initiatives requiring that level of development." **an**

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The Society of Actuaries (SOA) is the largest professional organization dedicated to serving 21,000 actuarial members and the public in the United States, Canada and worldwide. The SOA's vision is for actuaries to be the leading professionals in the measurement and management of risk.

The SOA is committed to:

- **Education**—Providing basic education in the fundamental principles of actuarial science, advanced education, professional development and continuing education for practicing actuaries.
- **Research**—Conducting research to develop studies of historical experience and techniques for projections into the future, analyzing the actuarial aspects of public policy issues and providing the foundation for further expansion of the profession.
- **The Profession**—Promoting high standards of professional competence and conduct within the actuarial profession.

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