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THE METANOIC ORGANIZATION

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MR. BERNIE HOFFMANN: It's wonderful to be here in Colorado Springs, coming from Detroit, Michigan. As you know, it's very difficult when you shoot your way to work, but even more difficult getting to the airport. There's a new sign now. There used to be "Arrivals and Departures." Now it says, "Arrivals, Departures, and Mergers." That way you can find your way around.

But I have good news for you from Detroit. Our crime rate has declined. Just think about that. And when the crime rate went down, everybody tried to determine how that happened. Everybody took credit. The insurance company said, "It's our effort to reduce premiums for car theft." The priests took credit because they were counseling the young people more. So they hired in a group of sociologists to determine why the crime rate went down, and the good news was the number one reason was fatigue.

I know you are all dying to know what metanoia is. Let me start out with you this afternoon by defining the very opposite of metanoia: when people, organizations, or professions feel stuck; when people feel that they can't do anything about it; when people feel that the world is unfriendly; and when they feel that every place around them there's an enemy who wants to take them over or do their thing, then clinically we call that, very appropriately, paranoia. And when I watch the energies of many of the companies to which we consult, when I see what happens in the board room, I get a sense that more and more organizations are energizing themselves to protect themselves, to defend themselves, to look out against their enemy that is around any corner, whether the enemy is real or imagined. Paranoia is settling in, and we say the time has come for organizations, people, and professions to take the opposite track; to begin

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shifting minds into the recognition that people are the organization and the organization is people. We cannot distinguish them. They are a collective culture. They contribute together. When we recognize that as people we are responsible for the organization, and when we recognize first and foremost and believe that we shape the future, we control our destiny, then we call it meta-noia from the Greek work *meta*, the shifting of mindsets.

As we study organizations in America, we find that some fail, some drag along, some never make it and some grow and live. We begin to recognize that leadership in any industry is not a function of money, is not a function of technology, is not a function of knowledge, is not a function of resources and buildings. Ultimately the losing and the leading organizations differ first and foremost by their ability to instill mindsets that let us believe we're in charge of tomorrow; that we will be here; that we can do it.

When Lee Iacocca took over the Chrysler Company, he had every reason in the world to say, "I'm stuck." He had every reason in the world to say, "This thing will never make it." He had every reason to say, "Why don't we just sell it?" But instead he created a beautiful bumper sticker. We see it all over West Jefferson Avenue, and it has four simple words on it, *We can do it*. But it isn't enough that Lee Iacocca says we can do it. It isn't enough that his vice presidents say it. The leader of the industry of the future, the metanoic organization, relies on its ability to instill the mindset of "We can do it and shape our future" to the lowest level employee, whether it's the housekeeper, the secretary, the actuary, or the underwriter. How do we instill these mindsets? Are there things we can do as professionals to create the belief system that we are in charge around here? We believe and have found that there are major shifts that need to occur and yes, we can create mindsets if only our organizations would begin to emphasize this first and put the old emphasis second.

Let me show you our emphasis in the past and how we shift that to the future. Traditional organizations measure, measure, measure goals, objectives. Every year we get a bunch of new ones. Nobody wants to fill out the goals. They want to hand in last year's, change a couple of commas, because deep down they know that goals really don't change anyway.

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I'm reminded, when I look at the organization driven by goals, when I was called by the director of a policy services department. He said, "Bernie, absenteeism among the clerks is killing me." I said, "What are you going to do?" He said, "It's obvious. We have a goal for next year -- reduce the absenteeism of the clerical staff." How? How? He said, "Well, you go out and you set the goal. That is number one in the management course. Number two, you create rewards and punishment. People who don't show up get fired. Number three, you measure it. And number four, you evaluate the goal, monitor it and decide next year's." At the end of the year, he called me up, "Bernie, I got a new problem." I said, "What happened to absenteeism?" "It's down." "What's the problem?" "They are all quitting." "Now what are we going to do?" He said, "It's obvious that the goal for next year is to reduce turnover." And now he embarks on a course; he instills in his people pride and joy. People who last year were told to leave their problems at home were now to call him at home with their problems so he could empathize with them day and night. "And if ever," he told his employees, "the thought of quitting enters your mind, call me, because I need you and you're important." At the end of the year, he called me and he said, "Bernie, I have a problem." I said, "What's the problem now? What's happening to turnover?" "It's down." "What happened to absenteeism?" "It's down." He says, "Every turkey in town works in my company. They know we love them and hold them, but nobody is doing any service." So in year three, he's instilling a service-oriented attitude, only to find out that in year four, lo and behold, absenteeism goes back up, and the employees say, "Does he know what he's doing? One year he loves you; the next year he hates you." "Ride it out, ride it out; he'll be gone before you."

The organization that is driven by goals is on a roller coaster, and it tends to measure the wrong things. You see, measuring goals, performance feedback you call it, monthly meetings with the board of directors -- baiting them on how well we are doing, reminds me of the father in Iowa who took a course in management. Every month he pulls out the carrots to see how they are growing; and you know what he's getting.

We say that the metanoic organization first and foremost is driven by purpose. Mission dictates goals. Mission determines the future. Mission is the source of energy and measure. Second, the metanoic organization takes a very hard look at our traditional American method of problem solving. Ever since the

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University of Michigan designed the nominal process, ever since you and I have taken graduate school 601, a problem was to be solved when something went wrong. We solved it by defining it. We looked for alternative courses of action. We weighted the solution. We implemented it, and then saw if it was solved. But, I challenge you: How does the traditional company define a problem? Typically, by looking backward and saying, "This didn't work; let's fix it. This is not working; let's fix it." So when the problems are solved we are even with yesterday. There is no growth.

In the metanoic organization we recognize that the problems you have are like the lunch you just ate -- it is now biochemically you and hopefully it never returns. Fixing it has no room for it. So the metanoic organization shifts. It doesn't exclude problem solving. It shifts the minds to vision rather than problems. It recognizes that the limitations in us are not creativity. The limitation does not come from lack of intelligence. The limitation comes because we are unwilling to define for ourselves a future that we shape. It is as though vision is a mythical term. It is as though a vision is left for the mystic. Vision belongs in the heart of every professional. Vision is part of every organization. And the new boards are changing their agendas to 10 minutes of old business, 20 minutes of new business, and 30 minutes to the committee on the future -- the committee on crystallizing the thoughts and the definition of how we will look in the year 2000, so the year 2000 becomes an act of choice on our part, rather than it just happening. In the old organizations, we go away and we discuss the pros and cons, and we see compromises, so we feel good about reaching agreements. The metanoic organization doesn't care about agreements. The metanoic organization cares about alignment, alignment being measured in the sense that all molecules drive in the same direction to make the magnet magnetic. It measures its success by the commitments that are kept after the retreat, not during the retreat. It measures itself by strong confrontation; by people expressing their differences and fighting towards the mission. The traditional organization forever wants to blame the outside; forever blame somebody else.

I think of a friend of mine in hospital administration. He has a lady come to his office with tears streaming down; she's filing a complaint. "What happened?" "I'm not going back to your doctor. I can't stand him. He's given me the final insult." She had been in psychotherapy for eight years. "What happened?" "Finally, I asked him, Is there any hope for me? Give me some feedback." He

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looks at her and says, "No comprende English." And yet, right after, my friend blames the malpractice crisis on the insurance industry, while he's got thirty doctors who don't speak English dealing with the psychiatric patient.

The traditional organization keeps blame outside of its walls. "It's the government." "It's the enemy." The government applies to all of us. As a point of law, we're equal. So the power or growth comes from assuming the responsibility internally to make it happen within the constraint of the law as it equally applies to us. The traditional organization always tells me the things it does. "We filed 100 claims; we processed 200 this; we calculated and developed this; we did that." It focuses on the process. It's like the physical therapist who tells me, "I gave fifteen treatments today." It's like the dieticians who tell me since 1920 that their goal is to have you and me nutritionally sound, and yet your very own statistics show that ever since we've had dieticians, the national obesity rate has increased.

The traditional organization, because it focuses on the process, very often misses the outcome. The traditional organization recognizes that individual behavior is not to be controlled, not to be taught, not to be developed; it's there. You and I have inherent in us five characteristics that make each of us different from each other. It's beautiful. I have no right to change it. I must allow you to express it.

Instead the metanoic organization recognizes leverages. The system has leverage bound to it whereby how it organizes itself has more influence on behavior than the attempt to control behavior. It takes a look and recognizes that boxes on the organization chart are frustrating limitations on individual contribution. People want to get out because they see no connection. At the least it recognizes the leverage of opening up classical lines of reporting relationships.

And lastly, the metanoic organization recognizes the limitations of rational analysis. We call rational analysis "vertical thinking." The organization recognizes that you cannot dig a new hole by digging the same hole deeper. In vertical thinking we forever dig deeper. We make assumptions about the process of logic, and we ignore the function of the power of lateral thinking. In vertical thinking we recognize that in addition to patterns of rigidity that are set in the

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left side of our brain, there is the alternative of lateral thought, intuition, insight, and humor.

Think back when President Reagan debated with Mondale. Shortly after that debate in Detroit we had a debate between Geraldine Ferraro and George Bush. And it got hot. Geraldine Ferraro said, "George, if I had to live with you, I'd poison your coffee." And he looked at her and said, "If I had to live with you, I'd drink it."

Now, I didn't tell you that joke for the sake of a joke. I told it to you to help you recognize that when you laughed, you were engaged in lateral thinking. It's funny because I broke the chains of your mind. It's funny because the logic of poison leads to death, and the story broke the chain. Intuition, humor, and insight generate direction. Logic only defines the direction because it seeks to fulfill a methodological goal on a vertical structure and fails to capture the very unique part of the brain to go back on.

So now when we go to the metanoic organization and it is linked to the principles that we have espoused, we capture philosophically by the terms of a psychoanalyst a little saying that I'd like you to take home. A credo for the profession. A recognition that to function at our best we need both vision (the perspective of the infinite) and the realization of the necessities and limitations of the here and now. And Hoffman simply says that most American organizations begin the process of planning, begin the process of doing things, by looking at their limitations rather than at the perspective of the infinite, rather than looking at the vision of what might be.

So then, to make that shift to that philosophy, we need new technique; we need new strategy; we need new tactics. How do we ingrain the thinking that the organization drives itself by mission? Well, first and foremost in mission driving we recognize that every part of the organization, every subsection, every project, every problem begins with a purpose. And that purpose is defined; it's not loose. It is defined in terms of the concept of what we want to accomplish. It recognizes to extend its service from provider to recipient. You see, what we want to recognize in the metanoic organization is that we extend both in time and in terms of recipient the ultimate outcome of our service.

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When we define our purpose in the metanoic organization, we recognize that yes, every employee has a constituent. Not just the sales manager; not just the underwriter. Everyone, staff or line has a constituent. I always remind political people how fortunate they are, that they ought to look at themselves as "Kathy Incorporated." They are very lucky, that they have one client who buys all their time. And then when Kathy starts looking at herself as incorporated, the question will not be, "Are you paying me enough?" The question will be, "Am I competitively priced?" And she's not going to ask you any longer, "How much in service do you provide for me?" She's going to say, "If this client will continue to buy me 8 hours a day, am I valuable with my product and knowledge to be employed in the future?" So you see, everybody has someone they serve. And the recipient first and foremost guides the action. In that mission of purpose, no matter how small or large, everyone is required to look at their uniqueness.

There are thousands of companies in this country giving you life insurance. I hope that each one of them knows how they differ so they can complement how they differ to make a determination of their potential, which is defined as the difference they make. So, strategy number one towards metanoia in the direction of mission is beginning to make missions alive, not to let them be like the preamble to the Constitution; but to use them in daily activity and solidly define them.

When we go to this world of shifting from problem-solving, we want to go to vision. How does one go to vision? Number one, commitment to defining the future. Defining it. You see, when you ask yourself the question five years from now, "How would I know my product effectively met consumer needs?" then you can define it. When you can define it, you can allow it to drive you, rather than the errors and mistakes of the past. Second, when we talk about vision, we need to reintroduce into America a new vocabulary. You see, after the 1960s, the words in the textbooks became *standard, average, deviations from norm*. Weirdo definitions. Life is not made around standards and averages. Neither can the metanoic organizations thrive on standards and averages. Instead, the words that are being re-introduced are *perfection, ideals*. And every company has the skeptic that says, "Bernie, perfection is impossible." And now you know why they don't get it. Heaven forbid, the nurse in the

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hospital isn't perfect administering medication. If she can do it, you can do it. All of us can do it.

In studies at IT&T, it was found that the number one obstacle to the attainment of perfection was the belief by management that it was impossible. Managers ingrain standards and averages. There is no law that says ideals cannot be served. And second, once we define ideals and perfection in what we do, we then need new processes of evaluation. And we want to go back to Mother Nature's way. The process is backplanning. We have been indoctrinated in American thinking to plan forward -- totally unnatural to your mind. If I told you to catch an airplane in Colorado Springs at 2:30, let me suggest what your mind does. It says, "If I want to be in the plane at 2:30, I've got to be at the gate at 2:15. And if I'm going to be at the gate at 2:15, I'd better reach the terminal by 2:00. And if I'm going to be there at 2:00, I'd better leave here at 1:30." Notice the structure of the nerve cells is geared to planning backwards. It is only modern science that has suggested that we plan forward. Backplanning has immense power. Doing things in reverse is incredible. The process is used in teaching handicapped children tasks which we take for granted. For example, to teach putting on a coat, we start with the coat on. We are teaching the child by putting on a coat backwards. But every day before he leaves therapy, he walks out a success with a jacket on, whereas with traditional methods he leaves therapy after five days knowing he'll never have that jacket on.

Well, ask yourselves. How much are your companies driven by, and how much are you driven by forward planning, only to find discouragement, only to find disappointment. Futurizing, visualizing, perfection, and going backwards from that crystallization to today is the source of energy, source of power for our organizations and we need to cultivate it that way. When we plan backwards, and we start out with our vision of the year 2000 and the state of perfection, there's no more room for feedback. We have a new term. We now must forward feed. And instead of telling my company president how far I have come, I now tell him the distance to perfection. I want to suggest to you in real terms that the graduate schools' definition of a problem -- deviations from norm -- is out. A problem is an obstacle to perfection, and it is measured in terms of the distance to attainable perfection rather than how far I've come.

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I'm always reminded of the life insurance salesman. He ups his goal. He used to sell 60 policies; now he has 72. He feels good. But he never asks, "What could be?" His energy and his enjoyment comes from that backwards thinking, rather than from looking at what could be, and that's what you thrive on.

We want to recognize that lateral thinking can be cultivated. Whereas vertical thinking moves in a direction, lateral thinking generates the direction. In lateral thinking you welcome intrusion because you recognize that entry of data can come at any point and that the right entry point does not necessarily lead to the right conclusion.

Remember that Marconi invented the radio on a totally false assumption. The notion that the right assumption with the right logic leads to the right conclusion is a fallacy. Lateral thinking says data point entries can require reconfiguration at any point. Finally, vertical thinking is a finite process; lateral thinking is probabilistic. It recognizes the scattergram of the world. Patterns not always lend themselves to simple regressions. Perhaps if I looked at it differently, there would be a pattern of a nonpattern, and the nonpattern is the stimulus of the brain to bring about the gift of intuition and insight.

We want to make a distinction in metanoic organizations and recognize that in our metanoic organizations we change the assumptions of how people function. I want to share with you the differences in how we look at people functioning. In the traditional model, we believe that we understand people's behavior in terms of analyzing them, analyzing their personal experiences, their socioeconomic background, their emotional well-being. In the metanoic organization the assumption about peoples' behavior and personal functions can be understood by making explicit one's context and criteria. In the old model, we believe that people have to understand facts so that they can make rational decisions. In the metanoic and lateral organization we recognize people have to have a clear picture of what they want to accomplish in order to make good decisions; never mind the rationality.

Think ahead so that you can define that future. Sadly we used to believe that behavior could be changed through rewards, punishments, bonus plans, incentive systems, attitudes, and feelings; and now we say people will change. You change every day when you feel like something isn't working right, and that's a

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more powerful reward. It is more powerful than bonuses and punishments when you, through recognition of your idealization, say, "This is not working." That's when we make change. In the old organization, being successful depended on intelligence. It depended on ambition, hard work and luck. Today, we say being effective is knowing how to get results, how to enable others to get results. In the old organization we said personal growth depended on openness and diverse experiences. Today we say growth is a continuous process of going from limited purposes to newer and higher purposes, to seek the ideal. Growth is driven by the expansion inherent in human beings and human growth. We assumed that everyone had potential. "If only we could develop it, but it's restricted," we said. That potential is restricted by the boundaries of intelligence, experience, physical and emotional characteristics. Today the assumption of the organization is that the potential for achieving results is limited only by one's desired outcome and by one's definition of what could be.

The metanoic organization will need new leaders, and I want to share with you the characteristic of innovative leadership. It says, "Out goes the old." The company is no longer a detached entity. It's not the toy of the executive. But we go back and say, first and foremost, commitment. The innovative leader recognizes that he has to create both personal and organizational vision and then put his heart behind it. Yes, there's room in management for heart when it comes to commitment. We've got to show it dedicatedly rather than remove ourselves saying, "Now that it's under way, it's someone else's problem." We recognize in innovative leadership that catalyzing alignment around a vision catalyzes and facilitates organizational growth. In innovative leadership, we don't abandon. I see many organizations where if one thing doesn't work, they jump to the next. They think overnight they can adopt the techniques of others that have been successful in their field. We say the sign of commitment and dedication is that in the face of obstacles, we revitalize and recommit to that mission and picture of the future. We understand that the organization is a system whose structure either floats or enables the realization of vision. The innovative leader develops intuition as a complement to reason and it empowers. What's empower? If somebody gives you a budget for \$500, that's your authority. If you get by spending \$900, because your office is next to the controller's, you have \$400 worth of power. Metanoic organizations empower themselves beyond the constraints of the here and now and the box of the organization.

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I want to leave you with a thought as you journey through this meeting. I look at that journey differently. It's not a journey of newness that bothers you. It is not a journey of fear of change and fear of future. Actually when people come to conferences it's a journey through the conflicts of new information clashing against old ideas. As you ponder your assumptions in a changing world, as you see ways to measure success of the product actuary, as you learn of product development and as you explore new pricing methodologies, I say to you first, challenge how you look at these things. Are you vertically digging the deeper hole, or do you see a creation for a new hole? Second, I ask that you let your vision transcend the limitations of your experience. And I know every time you sit in a session, some of you some of the time daydream, and I say to you cultivate your dreams as a source of energy. And lastly, rely on principle number one of metanoia, that the future belongs to those who shape it.

