



SOCIETY OF ACTUARIES

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Managing with Metrics

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A popular definition of a leader is someone who produces superior results through the work of others. Two of the greatest challenges a leader faces are knowing how to build a high-performance team to achieve superior results and then instituting the mechanisms necessary to actually create that team. Now, there are several key areas that a manager must focus on, such as creating a team vision, providing consistent coaching and mentoring, and rewarding outstanding performance. In this article, however, I want to focus on *Managing with Metrics* as a key driver of creating a high-performance team. And this concept applies equally to the team as a whole, as well as its individual members.

Before you can *Manage with Metrics*, your team must be aligned with the organization as a whole. From the top of the organization comes a *vision*—what the company aspires to be. A vision is usually a lofty statement that should give employees a broad idea of what everyone should be striving to attain. Something like: “Our vision is to be the market-share leader in our defined niche by providing the highest-quality products and unmatched customer service.”

While that may sound good, a vision is of no use unless there are clear *strategies* in place to support it. How do strategies support the vision? They do so by focusing on the improvements necessary to close the gap between the current state and the aspirational state. So, strategies for the vision above might look like this:

- Improve IT infrastructure to support customer service automation.
- Increase technical product development staff.
- Develop and introduce a market-unique product offering.
- Conduct research to gain market intelligence on top competitors.

Once strategies are in place, it’s time to focus on *tactics*, which are the detailed action plans necessary to execute the higher-level strategies. This is usually about the time that managers and teams get involved. It’s typically the teams within the organization or business unit that are responsible for carrying out the tactics.

So, what’s critical for a manager here is to make sure his or her team understands not only the company’s vision, but the strategies in place to support that vision, and the tactics the team needs to employ to successfully execute those strategies. You must make this connection or the rest does not matter; the team needs to understand how what they do every day impacts the company and supports its vision. So make sure this connection is perfectly clear:

Vision → Strategies → Tactics

Once the alignment is clear, as a manager you need to develop a way to measure your team and the individuals on your team. You may, for example, be the head of the product development unit. So, you need to focus on two of the strategies listed above:

- Increase technical product development staff.
- Develop and introduce a market-unique product offering.

What are the tactics (or team goals) you need to employ to execute on these strategies? Maybe one is to hire two additional experienced actuaries. Another may be to design and develop a new annuity product that consists of unique features not seen elsewhere in the market. Undoubtedly, there would be other goals for the team as well. And, within the team, each individual would have partial responsibility for achieving its goals. At this point it’s critical to make sure the entire team knows the goals of the team—and, individually, each team member knows what he or she is responsible for. Team goal transparency is an important part of *Managing with Metrics*. So the overall alignment



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from the company's vision to individual goals looks like this:

Vision → Strategies → Tactics (Team Goals) → Individual Goals

Now, with all of that in place, you must make sure the team goals and the individual goals are explicitly measurable. There must be targets for achievement—and the bar should be set at a level that is challenging but achievable if you want a high-performance team producing superior results. If your team is responsible for designing and developing a new annuity product with unique features, then make sure you can measure success explicitly. For example, you can measure:

- Design time
- Development time
- Number of unique features
- Expected profitability.

And, with all these goals, your team members should understand not only what the targets are (i.e., how success is defined), but also what superior performance looks like. For example, the target design time might be 60 days, but superior performance is 45 to 55 days, and outstanding performance is under 45 days. This clarity serves two purposes: First, there will be transparency across the team so that individual and team accountability will rise. Second, providing feedback becomes much more straightforward. It makes performance conversations, whether they be positive ones or critical ones, easier to have because both you and your team member understand right away whether goals have been achieved or not. So, the conversation can quickly move to where it needs to go: You have a superior performer who deserves recognition in one form or another; you have a good performer who should be encouraged to attain higher levels; or you have a low performer who needs to continue to understand what is expected of them in their role.

Finally, don't fall into the trap of having your team members convince you that what they do *can't* be measured. Very few things (and there are some) can't be measured. Even if the measurements are somewhat subjective, as long as there is clarity between you and your team members regarding the targets for success, and the results are measured consistently, I would much rather have a few subjectively measured goals, than have goals that are not measured at all. In my experience, the individuals who are trying to convince you that they can't be measured are usually the ones who consistently fall short of goals and who make the most excuses for why they couldn't reach their goals. Stock your team with people who can't wait to talk about goals and how to not only achieve them, but to exceed them.

In summary, an important aspect of creating a high-performance team is the concept of *Managing with Metrics*. To do that properly, you must clearly show the alignment between the company's vision/strategies and the team's goals, as well as those of individual team members. Goals must be explicitly measurable, and the group must also know what superior performance looks like. From there, constructive mentoring discussions can occur so your chances of achieving your goals and building a high-performance team are significantly greater. ●