

HOW MILITARY STRATEGIES CAN WIN CORPORATE HEARTS & MINDS

For 3.5 years, CEO Gil Baldwin led the team that transformed the market positioning and organisational culture of Aviva Healthcare, increasing profits from just over £35m in 2005 to around £100m in 2009. Here he explains how that success was a direct result of 4 key themes he brought with him from the military.



An interview with
Gil Baldwin MBE
(Ex Military Strategist)

*The Cabinet War Rooms, London.
A Celerant 'Iconic London' corporate event.*

Most people would imagine that the strict chain of command in the military is the opposite of entrepreneurialism?

It is and it isn't. I believe that in peacetime the strict military command chain is the absolute antithesis of entrepreneurialism. However, the minute you go into somewhere like Iraq or Afghanistan, all bets are off because what you're dealing with is chaos. You're trying to bring order to chaos. And that is a very, very entrepreneurial situation. In my career, I've run everything from garment factories to a water utility. I've worked with the EU to get nationwide power running, dealt with organised crime and so on. Where do you get entrepreneurialism from? If you live in chaos, you either learn it or you don't. I think it's one of those things you're born with or not and it develops with time and experience.

So what were your first thoughts on taking up your new command as CEO?

When I arrived the business was failing. So in my naivety, and by dint of my military training and experience, the first thing I did was to ask a simple question: Did we have the right strategy? Did we really understand what made the business work? As far as I could see, we didn't. Now in the military we're very rigorous about this sort of stuff. There's a set format to determine a strategy. You look at: **Enemy. Friendly Forces.**

Aim. Resources.

In our case that meant:

• **Enemy:** Both the Protection and Health Insurance markets had very dominant players

who derived significant competitive advantage from their size and positioning. So we could not possibly compete as the lowest cost player. But no one had actually articulated that.

• **Friendly Forces:** On the other hand, we had a very loyal and sticky customer base who would probably stay with us while we reformed. We were also part of a Group who, if you made the right case, and my predecessor had, were prepared to invest. And that was critical to the turnaround.

• **Aim:** This was clear - to double our profit contribution to Group.

• **Resources:** They were very limited. So - and I also took this from the military - I was quite brutal about assessing my Leadership as a resource. Did they have the skill sets, capacity and entrepreneurial culture to really deliver this programme? And I have to say, I felt the answer was no. So over the next 2 years about 80% were changed, from the Board all the way down to the lowest management level. Without that, I don't think we could have done what we did.

It can often be difficult to get real 'Intelligence' about a business. Did you find that?

As well as conducting a fundamental analysis of the situation I also needed to know what the key financial drivers were - and to be honest, it took about 9 months of me being quite difficult with my actuaries to discover that, in essence:

- for every 1% of new business you put on, you make £X profit.
- for every 1% you take out of your expense ratio, you make £3X profit.

'If you want to win people's hearts and minds, a good first step is to get to know them. When my direct reports told me they felt they were winning the hearts & minds of the people who worked for them, I asked when their direct reports birthdays were? What pastimes they had? How many children? What their names were and what schools they attended? I told them that this information is required knowledge for every soldier with accountability for others.'

‘Celerant helped us save over £14m by helping to introduce a culture of business measurement that determined if our processes were run efficiently.’

‘I don’t think you can be a genuine leader unless you have a real interest in the people who work for you.’

- for every 1% more customers you retain, you make £6X profit.
 - for every 1% you improve your loss ratio, you make £12X profit.
- At that point, our investment choices became very clear. It was all about keeping customers and giving a great service!

Did that mean taking the company in a new direction?

Absolutely. We set out on a strategy to completely change the dynamics of the business. We wanted to change from a Health Insurer to a Health & Wellness Provider - and build a psychological contract with our customers that encouraged them to look after their health and well being.

To do that, we invested heavily in:

- Rebuilding our claims process to auto authorise minor treatments and give specialist help for complex ones. This led to better outcomes, lower loss ratio through managed care, better retention rates and greater operational efficiency, because in 90% of cases staff interventions were minimised.
- Online services for health awareness and medical screening for those ‘at risk’,
- Health services, both in house and with partners like Lloyds Pharmacy, that drove innovation to return people to health quickly and efficiently.
- Redesigning our supplier relationships.

The second military theme was the equation: The Ends (to be achieved) = The Means (resources, time, people) x The Way³ Why is The Way cubed?

It’s cubed because The Means are always finite. There’s never enough time, money, smart IT people and so on, to do a task. So the really critical determiner in doing it optimally is The Way you go about it.

How much did that impact on the existing culture?

For us, this was a massive shift. As you can imagine, we were pretty hierarchical. That’s the way large corporate organisations work. Risk taking at an appropriate level, the governance that goes with that, the delegation of budget to do the right thing in the moment at the time, was all sucked upwards. Everyone said, ‘Here’s my plan boss, is that OK?’ Then his boss took it to his boss and so on. If you look at very entrepreneurial firms, all that gets cascaded down. So when there’s an opportunity ‘in the moment’ that person can do something about it.

‘I won’t wait 15 weeks for the approval process to go all the way up and back down, because by that time one of our competitors will have nicked the opportunity.’ It took a long time and a great deal of effort, but that equation led to a fundamental and radical shift within the culture of the organisation.

How did you balance this new entrepreneurialism with the controls necessary for a streamlined business?

Let me answer that by using another military analogy. I think one of a leader’s greatest responsibilities is to not just set the direction of the strategy, but also to make certain that everyone understands the context of that direction. At Aviva, our strategy was to put clear blue water between us and the fourth player, so that we could go to the suppliers and say ‘We know you don’t like duopoly because they pressurise you. Look what we’ve done over the last 2 years. We’ve grown our market share by 3 - 4 %. If you give us a better deal we’re now really growing. And you’re a credible player in that.’ That’s about setting, to use military terms, the Left and Right Arc. Within those parameters, go and do it. Beyond those arcs, you need to come and ask me. And then of course, you set up systems, authorities and forums where everyone can feel comfortable about putting forward their ideas.

The third theme you deployed was The OODA Loop. Where does that acronym come from?

The OODA Loop was built by the US Air Force during the Korean War. In the early part of that war their technically superior aircraft were being shot out of the sky by a pretty rubbish North Korean aircraft and they wanted to know why? When they analysed the problem, they discovered that in a dog fight, their pilots were being ‘out decided’ by the opposition. That was the genesis for the OODA Loop - **Observe, Orientate, Decide, Act** - and The Top Gun Programme.

How did it work in real terms?

It had a huge impact on both the structural organisation and culture of the business. I told my team that we were in a dog fight and if we were to be successful, we had to build an organisation where, even if we didn’t invent it, we heard about it before they announced it - and announced it before they heard about it. My stated aim was that I wanted our competitors to wake up every Monday and feel sick about opening a newspaper and seeing what we’d just announced, because if you do that loop faster than your competitors, what happens

is, they react to you. You’ll then notice what they’ve done and get inside that loop again. Their reaction becomes ever more inappropriate to the point where they get to some sort of institutional paralysis. We were very successful at this.

The final, and from your perspective, most important theme was the concept of The Main Effort - the critical part of a strategy that cannot fail, because if it does, the whole thing starts to unravel?

That’s right. In military terms The Main Effort derives from where do you place your artillery? You remember the equation, Ends, Means and Ways and my point about The Means always being insufficient? Well. You designate The Main Effort to resolve those resourcing conflicts. So when that resource crunch comes, when everyone is calling for the artillery, it’s automatically slave to The Main Effort. **Designating our loss ratio on Private Medical Insurance as the Main Effort was the turning point for the business.**

You see, all decisions about whether we cover you or not are human decisions. So designating our Main Effort as: ‘In all those decisions, if you do nothing else, err on the side of the company rather than the individual’ made a huge difference.

Wasn’t there a danger that some genuine claimants might miss out?

No. It’s not a weasel thing. If people are covered, they’re covered. That’s what we’re here for. But what had been happening was that it was much easier to say yes to everything, because as human beings, that’s what we like to do.

Can you give us a specific example of how these themes won hearts and minds?

I could give you quite a few. In 2008 and 2009, we hit or exceeded our targets in the worst recession we’ve all experienced. And they were stretching targets. Our customers told us that we were significantly better in all aspects and stayed with us. Our people also told us something. In January 2009, we decided to double our yearly Large Corporate new business target. By April we’d done a full year of that Large Corporate target. In order to get all this business on the books, we had 65 - 70% of my on-boarding staff coming in at 3 am so there would be no hiccups before the deadline. Nobody asked them to do it. There was no overtime. They just did it. They did it because they believed that what we were trying to do was right. They believed that we as a company were doing right by our customers.

Was there anything you had to unlearn when you transitioned to the corporate environment?

There were lots....not shouting at people? I think I had to learn a different leadership style. I have quite an eclectic brain and the way I learn is to ask questions. What I hadn’t realised was that in a very hierarchical FS type business like Aviva, every time I asked a question, that was seen as a ‘tell off’ from the boss. I’d ask someone in my Leadership a question and they thought it meant they had to do something. And before they got out the door, I’d asked another 3 questions, so they thought they had 4 things to do and it was causing absolute mayhem. It took me a while to see this. Eventually I had to call them all in and say ‘Listen guys, I don’t want you to actually do anything. What I want you to do is write down my ideas and then come back tomorrow and say: ‘This one and this one are rubbish, but that one’s actually quite good, we can do something with that. That’s all you’ve got to do.’ It took me about 8 months to learn that.

What about aligning the organisation to your ends?

That was also a steep learning curve. In the military, there’s an assumption that because it’s a volunteer army and by and large, young men and women quite like adventure, when you say, ‘Guys we’re off to war’ the alignment of the organisation to your ends is relatively straight forward. That’s simply not the case with a corporate organisation. In the end, the way we did it was that I went and spoke to every single member of the organisation. I did something like 26 Road Shows in the space of 5 weeks. I went and explained exactly what we were trying to do, what was important and their part in it. On the back of that I instituted a huge leadership programme. Not only did we go through the Leadership and set the bar high, but those that were then left got leadership courses, mentoring rings, business coaches etc. So that those we felt were able to do the job were up to the requisite standard. We also did a whole host of other things, from little booklets that said what we stood for to databases that meant if you were fed up with the car parking arrangements you could put it on. You could put it on, but you couldn’t hand it off. Your line manager will make certain that you resolve the issue and support you in that. But you can’t just absolve yourself from responsibility. So there was a huge alignment and cultural change programme.

The final lesson?

You can’t just say ‘Take the hill!’ It’s a bit more complex than that. ■

Profile:

Gil Baldwin MBE was a Regimental Commander in Iraq and has extensive experience of the Balkans, both in the military and civil spheres. He was a key architect of the Madrid Peace Implementation Conference that began the process of returning 180,000 displaced persons to their homes and has extensive experience of international strategic policy formulation. He was then appointed Operations Director for the Stabilisation Unit, with particular responsibility for cross Whitehall strategic planning for Iraq, Afghanistan and Aceh Province, Indonesia. On leaving the military, Gil joined Norwich Union as the Operations Director for all shared services in the UK and was subsequently appointed CEO of Aviva Healthcare. Gil is now a Director of Minerva Advisory Group which specialises in strategic risk analysis and integrated stabilisation planning.

