

## RECREATING STRATEGY EXTRA WEB CASE 1: PRU STORIES

*Without myth every culture loses the healthy natural power of its creativity: only a horizon defined by myths completes and unifies a whole cultural movement.*

Friedrich Nietzsche, *The Birth of Tragedy*, XXIII

Prudential plc provides retail financial products and services and fund management to customers worldwide through its businesses in the UK, Europe, the US and Asia. Prudential's UK insurance operations deal with some 7 million customers through a variety of distribution channels providing a range of financial products and services including all types of insurance, annuities, corporate and individual pensions, with profit bonds and investment products such as ISAs.



The Prudential was founded on the 30<sup>th</sup> of May 1848 in Hatton Garden, London with a purpose to offer life assurance and loans to the middle classes. It took its name and corporate symbol from the form of Prudence, one of the four cardinal virtues (the other three being Justice, Fortitude and Temperance). Since ancient times, Prudence has been personified as a woman holding a serpent (signifying wisdom) and a mirror (signifying the ability to see where one has come from and to oneself as one really is). Sometimes she is also shown with a compass to represent her measured judgement. A prudent person, as emphasised in the writings of ancient philosophers such as Aristotle, was said to combine memory of the past, practical intelligence in the present, and foresight of the future. In Renaissance art, Prudence was often illustrated through three faces: that of a wolf (which devours the past); a lion (who has the courage required in dealing with the present); and a dog (who soothes a man's thoughts about the future).

After making small inroads into the middle classes, Prudential took the daring step of opening an 'Industrial Department' in 1854 to sell a new type of insurance – 'Industrial Insurance' – to the working (i.e., industrious) classes, for premiums of a penny and upwards. The actuarial methods that had until then only been applied to insurance for the better off were combined with a direct sales approach that had traditionally been used by 'friendly societies' and 'burial clubs'. Thus, Prudential developed a new system for providing insurance based on door to

door agents supported by actuarial tables to enable them to provide personalized advice and simple, plain-speaking explanations of particular products and plans to the masses. Another innovation added to the Prudential portfolio was the introduction of ‘Infantile’ insurance policies for children. These new products opened up a huge market for Prudential and the volume of sales began to grow dramatically. In 1860, Prudential acquired its main rival *British Industry Life Assurance Company*. With *British Industry* came a large number of established customers and an experienced team of agents in the north of England to help with new sales initiatives.

Annual premium income increased from £1,836 in 1851 to £52,009 in 1861 and £348,975 in 1871, based primarily on the growth of Industrial Insurance. In order to keep up with the increasing administrative work generated by the new business Prudential began to employ lady clerks – a further innovation in the City. By 1879 Prudential was the largest life assurance Company in Britain.

The Company’s growing scope in terms of its membership base can be traced through records of national disasters during this period:

1880. Pen-y-Graig colliery explosion:	87 died, 20 Pru claims paid (23% of total).
1882: Collapse of factory chimney in Bradford:	50 died, 22 Pru claims paid (44%).
1883: Victoria Hall catastrophe Sunderland:	191 infant deaths, 35 Pru claims paid (18%).
1887: Exeter Royal Theatre fire:	160 deaths, 53 claims paid (33%).

By the 1900s Prudential insured one-third of the UK population. Its values of security, plain speaking honesty, value for money, and integrity, and the ensuing emphasis on sound and solid investments, innovations that made things simple for ordinary people, and efficient administration, had clearly struck a chord with the populous.

In 1912, social welfare in Britain, which had been provided for by private enterprise and charity, became a state responsibility and sickness and unemployment benefits were paid through Approved Societies run by private companies. Prudential played a major role in this scheme. By 1948 five million people were receiving benefits through Prudential’s agents. The Company installed punch card machines to cope with the volume of statistical and record work that followed. By 1923, Prudential had the largest installation of punched card machines in the world, and in the years that followed mechanised accounting became a familiar part of office practice.

Through the decades that followed, the Prudential – affectionately known as “the Pru” – and their calling salesmen – affectionately referred to as “The Men From the Pru” – became a part of the fabric of everyday life in the UK and even part of the vernacular. By the middle of the 20<sup>th</sup> century “Pru” officially entered the English language, probably the only nickname of a multi-national company to have done so. The Complete Oxford English Dictionary’s entry runs:

**Pru** (pru:) Colloq. Abbrev. of *Prudential Assurance Company*; esp. in phr. (*the man from the Pru*, a representative of the Company who calls regularly at private houses to collect life insurance premiums.

**1927** W. E. COLLINSON *Contemp. Eng.* 111 The best known English company, the Prudential, is often called the Pru. **1961** C. COCKBURN *View from West* ii. 19 To what extent.. is our entire view of life.. determined by what is told to us by the Men from the Pru? **1963** *Times* 24 Apr. 12/3 The Prudential Assurance Company has discontinued the issue of life insurance policies paid by weekly premiums. This does not mean that ‘the man from the Pru’ will no longer be calling from door to door: all new ‘industrial’ life policy premiums will ordinarily be collected every four weeks instead of weekly. **1973** A BEHREND *Samarai Affair* xiii. 141 She said with no more emotion that if addressing a man from the Pru, ‘My husband’s told me what you’ve come for.’ **1978** *Guardian Weekly* 15 Jan.21/3 Next year I hope the Cottesloe [Theatre] will offer us, like the man from the Pru, a definite policy.

The Prudential was also intimately involved in the events surrounding the 20<sup>th</sup> century's two World Wars. During the First World War, Prudential paid in full claims arising from death due to war circumstances and when policies had been taken out before the outbreak of hostilities and no extra premium was charged for existing policies for those engaged in active service. The Pru paid nearly 250,000 war claims, out of a total of 674,000 deaths confirmed by the British Government.

An agency agreement in France in 1921 marked the beginning of overseas expansion. The first overseas Prudential life agency was in India in 1923, followed by overseas branches in Canada, Australia, New Zealand, Africa, the Near East and Malaya in a pattern that followed along the lines of the British Commonwealth. In the early 1980s, the acquisition of Jackson National Life in the US made Prudential a truly global enterprise.

By the outbreak of the Second World War, the Pru had more than 28,000,000 policyholders. Most insurance policies by this time contained clauses that reduced claims on deaths due to war causes. However, the Prudential board decided in September 1939 that claims arising from naval, military and aviation causes be paid in full and agreed to protect policies from lapse due to hardship caused by war. More than 21,000 Britons killed in air raids were covered by the Pru (around one third of the total killed) and the Company also fell victim to the raids. In 1940 Chief Office staff were evacuated from London to Torquay and other regional centres.

After the war, a silhouetted image of The Man from the Pru was launched in an advertising campaign to re-establish the identity of the agent in the post-war world. The image was used in the re-branding of the Industrial Branch as the 'Home Service', providing the whole range of Prudential products to customers in their home.

In 1986, Prudence was re-launched as a modern brand image for the Corporation. The new logo reproduces the traditional form and symbols from the Company's 1848 seal, but, significantly, Prudence's face is turned forward to the future (although the mirror – signifying the ability to see where one has come from – is still emphasized).

In the 1980s and 1990s, however, the Pru struggled to replicate the performance that had characterized its first 130 years. Their hard won reputation was hit by allegations of mis-selling pensions. Moreover, shifts in the way in which financial services were sold and the rise of IFA's (Independent Financial Advisors) in Britain, combined with increased regulation by the FSA (Financial Services Authority), made the Pru's fundamental 'door-to-door' distribution channel increasingly costly and eventually unworkable.

In response, the Pru acquired other companies with expertise in different methods of distribution, notably M&G and Scottish Amicable, a prominent product provider to IFA's, and developed an Internet bank and financial-services company called Egg. In addition, from the mid-1990's the Pru focussed heavily on developing Asian markets – taking and adapting some of its existing business models from the UK to Asia. However, many analysts wondered whether it was too little too late. Others speculated whether, despite all the new brands and initiatives, the Pru's prudent, safe and methodical approach to investment, which remained a part of the Pru Group's ethos, had any part to play in more gung-ho or short-term oriented times. Others still argued that Prudential's acquisition strategy had left it without a clear focus and that it was encumbered by a traditionally high cost structure at a time when its competitors and new players were increasingly lean and mean. Add to this sluggish growth in the industries that related to Prudential's core business, and the picture was looking increasingly gloomy. It was clear that the Pru had lost something of the unity and sure footed-ness that had underpinned its movement throughout the better part of the 20<sup>th</sup> century.

On the 21<sup>st</sup> of June 2001 Mark Wood, formerly Chief Executive of AXA UK and a Senior Executive Vice President of the AXA Group, became Chief Executive of Prudential UK &

Europe. His management team's challenge was clear: to bring about a Renaissance of the Pru's core historic base, but in such a way that the new Pru would be more than a museum piece or 19<sup>th</sup> century curio. This Renaissance would have to lead to a business that would be able to compete in the 21<sup>st</sup> century marketplace.

This marketplace was characterized by increasing globalization and deregulation. This meant an ever-escalating number of competitors, who were, at the same time, increasingly difficult to differentiate between as a result of best-practice benchmarking and the replication of technologies and corporate processes. In this context, Mark Wood and his team needed to find or develop inimitable points of difference and project these in a meaningful way to existing and potential customers.

In a market where the tacit knowledge built up and embedded in the relationships between a Company's employees is perhaps one of the few inimitable sources of competitive advantage one of the initiatives that Wood was most keen to put in place after his arrival was a corporate university. Pru University – a joint initiative between the Pru and Warwick Business School – was established in 2002. One of the purposes of the university was to enable cross functional teams to develop corporate projects that they could then champion and implement, partly in order to promote cross-functional and business-unit dialogue and partly to unleash the creative potential and innovative ideas of its workforce that the Pru had perhaps not made enough in recent times.

One such project team came up with the idea for 'Pru Stories'. The Prudential had recently gone through a very successful exercise defining its core values and developing clear statements of strategic intent that related to these. However, based on the team's logic that: "People don't live at the level of values and visions and strategies, they live at the level of stories," the team decided to try and surface real-life stories or anecdotes that were interesting and compelling, as good stories are, but also encapsulated what the Pru stood for and was trying to achieve in terms that ordinary people could relate to and be inspired by. According to the Pru Stories project team the aim was:

"To use stories from the old Pru and show how the values that we have now have always been around and were really evident at the time of the successful man from the Pru. But then want to show examples of new stories of us living the values to show that we are doing it again and we can start to build our pride up. We want to communicate real stories that convey that our brand values haven't changed; we want to rediscover and communicate the old sense of ourselves in a changed world."

The team believed that communicating stories like this, internally through Intranet mail-drops and the like and externally through advertising promotions, might be the best means of resurrecting and communicating unique old values into new contexts so as to give real meaning to how the Pru was different from the competition.

This sort of storytelling approach to building a strategic vision of what differentiates has a long-standing body of theory behind it, even if this has only recently entered the business literature. The quotation with which this case began is one of many from Friedrich Nietzsche extolling the virtues of myths, stories and folklore in communicating the essence of things, giving meaning, and inspiring focussed creative activity in our lives. Nietzsche famously argued that one could know the nature of any person or collective body by simply hearing 3 good anecdotes about them – something that could not be conveyed by any number of statistics or lists of material characteristics. Stories, unlike stats, percentages and lists, convey particular values, virtues and ways of proceeding. Not that this idea was even anything new in Nietzsche's own times, he borrowed it from the Presocratic philosopher Diogenes.

In more recent years, storytelling has begun to be taken seriously in the management literature. In 1997, Professors David Barry from Victoria University of Wellington and Michael Elms from Worcester Polytechnical Institute published the groundbreaking paper "Strategy

Retold: Toward a Narrative view of Strategic Discourse” in the premier academic journal *Academy of Management Review*. The following year, “Strategic Stories: How 3M is Rewriting Business Planning” was published in *The Harvard Business Review*. To many peoples surprise, this paper struck a chord with managers around the world and became one of the most popular published in the *HBR* in the last decade.

In the article managers from 3M ascribe much of its recent success to the Company’s “story-intensive culture” and how this has changed the way they “do strategy”. They attribute the development of this approach to two things. First, a recognition that traditional bullet points and list making approaches to communicating strategic plans are generally too generic, leave critical relationships unspecified and subsequently do not inspire deep thought or commitment. Second, a recognition that communicating and developing the same ideas through stories enabled them to see themselves and their business operations in complex, multi-dimensional forms that helped them explore opportunities for strategic change and form ideas about future success. “When people locate themselves in these strategic stories”, the authors concluded, “their sense of commitment and involvement is enhanced.”

The author’s backed up their promotion of telling strategy through stories by outlining the ‘science of stories’. For example:

- Cognitive psychologists have established that lists are much harder to remember than stories because of ‘recency’ and ‘primacy’ effects. People mainly remember the first and the last items on a list but not the rest of it. Also, lists enable ‘selective memory’ as people tend to select the individual points that they like and focus on these and forget about the whole and the many integrated parts that make this up.

- Language researchers studying how high school students learn found that the story-based style of *Time* or *The Economist* was the best way to learn and remember. When research translated history textbooks into this format they found that students recalled up to three times more than they did after reading traditional textbooks.

- Cognitive scientists have described how we gradually acquire the ability to make decisions and formulate plans through the stories we hear in childhood which enable us to imagine a course of action, imagine its effects on others, and decide whether or not a particular direction should be taken.

In short, if a picture of a company paints a thousand words then a story or some folklore or an anecdote about a company can connect up a thousand threads and give a corporation a face that can launch a thousand well-focussed initiatives.

Right from the earliest discussions between Wood, the project team, and the rest of the team’s cohort from Pru U about what form Pru Stories might take, the power of stories in this context was clear. Discussions about what stories people thought really characterized the ethos of the Pru quickly unearthed a number of gems. For example, a story was told of a young telephone operator in Scotland who made a regular follow-up call to a lapsed customer. He turned out to be an elderly man who told her that he always meant to fill in the forms that were sent to him to renew and update his Pru policy, but he found them to be too long and confusing and so never completed them. He said that when the ‘man from the Pru’ used to call to his door they would fill out the forms together over a cup of tea. So, the telephone operator said to the gentleman that she was going to take a tea break in ten minutes. If he liked he could go and make himself a cup of tea and by the time that was done she would have hers and she would call him back and they would fill out the forms together. He liked the idea very much. They filled out the forms and a satisfied member of the Pru was back in the fold.

Wood liked the story-telling idea so much that he has begun to connect it to they way that he communicates the Pru’s strategy for the future. Below are some extracts from his “Prudential Story” which he presented to a conference of Pru managers in 2003.

I want to tell you a story – a story about our business, the place where we work, where we are each investing our time, where we are building our careers. My purpose in telling this story is to describe my ambition for our part of the Pru over the next 1000 days and indeed into the next century...

What has shaped our future success? Cost reduction? No, but it played a big part in getting us to where we need to be, it has been the price to be paid to enable our business to prosper but it is only a first step. We have become a low cost operator. By knocking out all the obvious areas of duplication while simultaneously making more significant moves including the transformation of our customer service operation and the development of our Indian service centre, we have shifted from the old high cost model to low cost, fast delivery and enhanced service. We have combined this with working hard to maximise the return on our customer's savings, and to providing the best possible service and incentives to our distributors. Our long-term future is dependent on the profit we accrue day by day, week by week, month by month. This determined approach has resulted in the achievement of our doubling of intrinsic value. We achieved this goal through a series of successive 90 day plans.

Each quarter's delivery was managed across the organisation by a 'quartermaster'. The quartermaster's batten was symbolically handed from one member of the executive to another as each quarter past and each quarter's objectives were achieved. The executive team member carrying the quartermaster responsibility assumed, at the beginning of the quarter, authority right across the organisation to align everything we do with that quarter's objectives; the quartermaster ensured that what we delivered quarter by quarter was driven by what was valued by our distributors and by our customers; and we discovered what was valued by our customers by increasingly frequent, intense and frank discussions with our distributors.

However, the preservation and increase of our reputation – our *brand*, have been much more important... Underpinning the financial strength described above is the way we do things – our values. We are a friendly place, approachable, concerned to correct mistakes, but generally known by our customers for being careful, caring and conscientious. The Pru is a place for consistent good value over the long term rather than the best rate for a short period of time. The Pru is prudent rather than expedient. We believe that if it seems too good to be true it probably is. We would rather be criticised for cutting bonuses and maturity values than risk our financial strength. Our speed of service, while prompt, is not unsustainably or flashily fast. We are a place where you talk to real people at the end of the telephone rather than one of those computer thingies; if you are a bit muddled in your thinking about your finances at the Pru you will find somebody, using words you understand who will take you through what you need to do and in a straight forward way. You will not find us talking in jargon. We are a place where, whatever the purpose of your call, you'll get a professional and sympathetic ear – someone concerned to ensure that your confidence in the Pru grows with every contact...

To double our intrinsic value we knew that we had to have the right priorities. We made some tough decisions. We stopped some big projects. We have placed increasing importance on return on capital. This meant that we decided not to pursue some profitable opportunities. They required too much capital. We disappointed, irritated and confused people. Some decided to leave us because they did not enjoy our disciplined pursuit of return on capital. But we knew we were focussing in the right place, on our brand, our product strengths, on our distribution channels, on our costs and our financial strength. We focused on our product strengths in Group Pensions, Bulk Annuities, and our capability within the With Profits and Annuities markets while beginning to develop a presence in the ISA market. Our clear view and a particular focus on managing our scarce capital and long-term financial strengths dictated our priorities. Nonetheless on several occasions we acted tactically. Without notice we changed tack, spotting an opportunity, moving swiftly and decisively, often against competitors, following rapid analysis and assessment to pounce and to profit. We have ceased to be a thinking organisation enjoying debate for its own sake, insisting on perfection rather than delivery. We have become prone to action, valuing "sooner rather than perfect", earning the right to exist by charting a pragmatic course and having something to show for it.

So at the end of these 1000 days what has changed? Well in 1000 days we, each of us individually will be here because we want to be. The pulse rate of the organisation has quickened. The acceptable standard of performance has risen. The error rate has dropped. Decisions result from analysis not opinion. Effectiveness counts more than seniority. We like the people we work with. We can depend on each other as we work to a common set of clear, defined, stretching but achievable 90-day deliverables. We trust each other based on our experience of working with each other.

But there is something else beyond all this. We have shown each other what happens when we pull together. We have realised that one plus one can equal three. We understand that we are inter-dependant. This has made our teamwork more effective – we are listening to each other, analysing what we hear, checking and then taking action. We are developing a sense of balance between working for today and learning for tomorrow. We are recognising that what we put into the organisation will be reflected in what the organisation achieves and in how we are rewarded. When something is being developed, changed, implemented we run as a project. When we are chasing new business, somehow, we are all aware of it, we hunt as a pack. We now have a head office which now feels more like a college library than a corporate bureaucracy; we have meetings standing up, we informally gather around open plan tables, we pop round to see each other rather than sending an e-mail, we run to appointment whilst passing on information over our mobiles. We are on the move. We are constructive. We are optimistic. We have stopped being a ponderous bureaucratic organisation...

We understand that we are in competition. We know that if we aren't better than our competitors our competitors will win our distributors and our customers from us. Therefore we watch our competitors like hawks. When we see weakness we strike; when we see strength we work harder, in partnership with our distributors; whether they be a leading IFA advising a person in poor health on the best choice of annuity or a major bank providing a standard product to thousands of customers through hundreds of branches. Thus their clients remain our loyal customers.

But smooth interfaces, effective products, excellent investment performance, fast decisions, competitive pricing and commissions, even financial strength: these are just 'hygiene factors'. Our key differentiated product and service is The Plan from the Pru.

The Plan from the Pru has transformed the way in which people think about their savings. Now they understand what they are doing. With the Plan from the Pru as their guide, they have set themselves financial objectives. We work relentlessly to simplify our products to ensure that our customers understand what they are buying, how the product works, what the promise is, what they can expect and what they are risking...

And we do all of this at the absolute minimum cost and to create the maximum profit for our shareholders. We have disregarded unnecessary processes, duplicate activities, restrictive bureaucracy, valueless overheads, pretentious practices; these will never have a place in our business. Grand offices, layers of management, ponderous meetings, lengthy decision making, hesitant procrastination, ineffective delegation, and the avoiding of individual responsibility have no place with us...

But there is more to it than that, something more fundamental. Above all else we have worked, first and foremost, to ensure that our customers, in their old age, can afford to eat, to heat their homes, to take the style of holiday they are used to, replace worn out clothes, and continue to tend the garden they love and live in the home in which they are comfortable.

Thus, the job we have chosen to do is among the most valuable in society. Doctors and priests, depending upon your outlook, have more worthy roles in our community – they deal with our physical and spiritual well-being. We are the custodians of people's material well being. We provide the foundation for a civilised society. Civilisation, a society that can afford leisure, depends on a secure store for savings protected for the future. We provide that secure place. We have an obligation to perform at the highest possible level in every aspect of what we do. People trust us; we must be worthy of that trust.

Prudential is a mighty business.

The third last paragraph already has a good deal of folklore around it. Wood has become well known throughout the Company for touting "Helping Old People Eat" as the Company's true calling or mission. Like all companies now, the Pru already has far more conventional statements of purpose, like the one listed below, taken from its website:

*Prudential plc, through its businesses in Europe, the US and Asia, provides retail financial products and services and fund management to many millions of customers worldwide. Our commitment to the shareholders who own Prudential is to maximise the value over time of their investment. We do this by investing for the long term to develop and bring out the best in our people and our businesses to produce superior products and services, and hence superior financial returns. Our aim is to deliver top quartile*

*performance among our international peer group in terms of total shareholder returns. At Prudential our aim is lasting relationships with our customers and policyholders, through products and services that offer value for money and security. We also seek to enhance our company's reputation, built over 150 years, for integrity and for acting responsibly within society.*

However, the far more unlikely sounding Helping Old People Eat (and the ensuing acronym H.O.P.E.) seems to be striking a chord with an ever-increasing number of employees.

1. *Why does Helping Old People Eat sound so odd as a corporate mission statement? Why do you think that Helping Old People Eat might mean or capture more for most people than a conventional sounding mission or vision statement?*
2. *Why might looking to the past be a good way for the Pru to develop sources of competitive advantage for the future?*
3. *What other aspects from the Pru's past might you seek to draw upon? And how might you 'up-date' these aspects so as to rejuvenate it and re-focus the Pru's strategy for the future?*
4. *Why is story-telling such a good medium for conveying a corporation's strategy? What do you think makes a good strategic story?*

The following works have been cited in this case: "Strategic Stories: How 3M is Rewriting Business Planning", by G. Shaw, R. Brown and P. Bromiley, *Harvard Business Review*, May-June 1998: 3-8 and "Strategy Retold: Toward a Narrative View of Strategic Discourse", by D. Barry and M. Elmes, *Academy of Management Review*, 1997, vol. 22: 429-452. Special thanks to Mark Wood for his help in preparing this case.

© Stephen Cummings