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**Lessons on the Road
to Performance Management**

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A Dramatically Changing Marketplace

MetLife is one of the world's largest financial services companies, and the leader in the United States in life insurance sales. We have experienced record earnings in the past few years, and equity and assets under management are at record levels. Going forward, however, in light of the dramatic changes and consolidation occurring in the global financial services industry, significant change is necessary. The recent decision by our Board of Directors to convert from a mutual company that does not have shareholders and is operated for the benefit of its policyholders to a stock company is symbolic of our new direction.

MetLife has made the decision to change our corporate structure in response to a convergence of compelling forces, which have made it clear that our current mutual structure has become obsolete. It limits our ability to enter into the type of new combinations among banks, securities firms, and insurance companies that are revolutionizing the financial services industry. Conversion will keep us competitive and protect our value to our policyholders. But in making the decision to pursue becoming a publicly held company, we also realized that some significant internal changes would be necessary.

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The Need for Culture Change

As MetLife begins to develop plans to become a stock company, the immediate need to improve operational results is clear. To achieve the necessary level of operational excellence we must continue to make dramatic changes to our corporate culture. We need to create a culture that emphasizes individual performance and accountability, a culture that ensures that every employee, at every level, understands how his or her performance links to the company's business goals.

To make these changes happen, we needed a catalyst. The catalyst we have chosen is the introduction of a new performance management process to harness the talents, time, and capabilities of our people. We must be certain

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that people are not just doing things right, but we must also ask ourselves, "Are they working on

the right things?" And we need to take steps to make sure that people are clear about what is expected of them, how they are doing, and what steps they might take to improve. In sum, we need to really measure, communicate, and reward performance.

While this might not seem like a major shift to some, MetLife is an old, and successful, insurance company. We have over \$1.7 trillion of life insurance in force, and are very proud of our 130-year history of helping people become financially secure. Our traditional culture is strong, valuing precision, quality, and attention to detail. Another key element of our traditional culture is our belief that MetLife people can do anything if they put their minds to it.

In the past, we have also tended to be slow-moving

and hierarchical, and because we believe (and have proved many times) that we can do anything we put our minds to, we often took on too much. We have lacked the focus and intensity that successful public companies exhibit.

Where We Chose to Begin

From the outset, we recognized that our performance management process must be driven by business needs. It cannot simply be a human resources initiative, imposed by the home office.

We started by bringing a small group of respected senior business people together for an off-site meeting to identify the issues around managing performance and to develop a prototype process. We came to terms with the fact that while there were pockets of best practice, as a company, we had not

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clearly focused on effectively managing a key resource—our people.

The solution was obvious. We needed a simple process that people could understand and that included some basics: setting individual objectives that were aligned with our business objectives, identifying development needs and acting on them, and candid feedback on performance.

A Challenge to Our Leadership Team

Our Executive Leadership Group set the stage for performance management by deciding that one of our six business priorities for 1999 would be to “optimize the impact of our people through performance management.”

The real challenge, however, was introducing perfor-

mance management in such a way that our senior management team, our 700 officers, were energized and became agents of change. We delivered a powerful message on the importance of performance management by devoting the entire agenda of our annual two-day off-site Officers Meeting to “Leading Change by Managing Performance.”

We challenged our officers to be the leaders of change, pointing out that to become more disciplined in managing people’s performance, they had some key responsibilities. The first was to provide direction and establish clear-cut priorities so that the objectives people set through the performance management process were focused appropriately. But because communication about key business strategies and objectives had a lot of room for improvement, we had no assurance that people were working on the right things.

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A second, and perhaps harder message for the officers to hear, was that as leaders, they had an obligation to communicate much more directly and candidly with people on an individual level. We pointed out that at its core, candid discussion of performance is an issue of fairness. Our employees have the right to hear directly from us how we perceive their performance. We’d had a tendency to treat everyone similarly. It showed up as bland performance reviews and inflated ratings. It prevented us from raising the bar on performance—we really could not identify where performance was strong and where it was weak. Therefore, outstanding performance was often not rewarded adequately and weak performance was tolerated for too long.

We left our leadership team with this message. The competitive challenges facing us are great. Our success depends on making the most of all of our resources, especially our people. As leaders, you will make a difference by providing direction and feedback, and by expecting the same throughout your organization. Performance management is not a set of rules or the completion of forms. It is clear communication about expectations, differentiating among people's performance, and making sure the consequences fit the outcomes.

What's New about Performance Management

Our officers came away from the meeting with a clear view of the significant change taking place. But the real

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change is not in the performance management process itself. Setting goals and development plans, providing coaching on an

ongoing basis, and conducting year-end performance reviews is pretty basic.

The fundamental change is in the focus. MetLife has put a stake in the ground and is saying with conviction: Managing people is important; doing it well will have a positive impact on our bottom line; and each of us, as a leader in MetLife, will be held accountable for making sure we (and those who report to us) do it well.

Implementing the Performance Management Process

Our implementation strategy is designed to drive home the message that performance management is an important business initiative. Senior managers have made their commitment to the new process clear, holding

meetings to discuss it and setting implementation guidelines for their staffs.

Managers and employees received a communication package covering the key elements of the process. Extensive training, both on the new process and the basic skills (setting objectives, coaching, and reviewing performance) was available throughout the early months of implementation.

We do not expect to be able to address all of our people-management issues in our first year of implementation. We still have some important links to establish. For instance, we need a better connection between performance management and our compensation system.

However, every indication tells us that performance management is already making a profound difference in our way of

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thinking. It is on everyone's minds. People are comparing notes. "Have you gotten the self-assessments for your people yet?" "What techniques did you use to compare people across your group?" "Have you set your individual objectives yet?" "Will the CEO be using the same rating scale with his direct reports as the rest of us?"

The real proof will be when the process becomes an integrated, seamless part of the way we do business because we have the right people with the right skills in the right positions working on the right things. 🏹

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