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Managing in Complex environments: Strategies, Insights and Solutions

Title:
Business management
report on people
management issues for
Cigna

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1. Executive Summary of This Business Management Report

This business management report is based on Cigna's acquisition of Express Script in 2018 and its expansion plan to China through the joint venture. Cigna is a global company in the insurance industry. This acquisition and expansion are driven by keen competition and growth. The Express Script acquisition helps to lower healthcare costs and deliver better care services. The CEO of Cigna claims this strategic transaction also helps Cigna to "dramatically accelerate the number and breadth of value-based relationships and customer engagement". This merge and acquisition exercise triggered major restructuring exercise for both companies.

In order to reduce the burden on the social health care system, the Chinese government wants to speed up the development of commercial health insurance via the "Healthy China 2030" national strategy and policy (EY & CPIC Allianz, 2018). Previously, the Chinese national policy favors a Chinese funded life insurance firm. Foreign-funded companies, like Cigna, can only open one subsidiary in one province per year. However, this restriction will be uplifted in 2019 (EY & CPIC Allianz, 2018). Together with the aging demographics and an increase in customer demand, Cigna would like to seize the opportunity to expand its business in China.

These big strategic transactions under complex business environments induce many pressing people management issues. To ensure organisation and stakeholder success, Cigna needs to formulate plans to tackle all related people's issues. According to the academic papers and business articles studies, culture integration and key staff retention play important roles in the success of merge and acquisitions. For Cigna, talent management, especially the hiring of local talents is crucial to its expansion plan in China. Therefore, this report selects the culture integration and talent management challenge including key staff retention to discuss. Findings will be summarized and Interpreted in sections 2 and 3. Appropriate people management strategies will be shared in section 5 and the implementation action plan will be summarized in section 6. The findings in this business management report aim to provide lessons learned for future merger and acquisition, and expansion. The findings in this study can also be applied in all industries in the business context.

2. Introduction

2.1 Context_The company

Cigna is a global health service company serving 160 million customers around the world by around 40,000 employees. It is one of the top three insurers in the US and is a US-listed company with its international headquarter in Belgium. The profit margin is around 8 percent on average on consecutive years and the health insurance business in APAC has shown a growth of 6 percent in 2016. (Binder & Mußhoff, 2017). Cigna has a business mission to improve the affordability in personalized customer services approach (Newhard, Frank, Silverstein, 2018). As the pharmaceutical services took up 25% of the overall cost calculation, within which, 25% is specialty pharmacy (Newhard, Frank, Silverstein, 2018), Cigna has been looking for opportunities to manage this part of the cost.

2.2 Scope of this business management report

This business management report studies contemporary people management issues based on evidence-based research done via Cigna's annual report, newspaper interview of Cigna's CEO, President of International Markets, Express Script's CTO, and semi-structured interviews of Cigna's senior management and industry practitioners. Among the people management issues identified, this report will select two to focus on because of the complex business environment. A conclusion will be drawn from the research findings, and upon the theories, principles, tools, and guidelines for people management learned in previous lectures. Recommendation on people management strategies will be put forward after the debate. This will help to remove indecision and create focus and purpose for the implementation action plan determined.

2.3 The structure of this business management report

This report will first critically identify, analyse and assess the external environment. It will then describe and debate the contemporary issues within the field of people management triggered by Cigna's acquisition of Express Script in December 2018 and the external environment is exposed to. Appropriate people management strategies to ensure organisation and stakeholder success will be listed in the conclusion. Recommendations and implementation plans for recommended changes will be detailed in the last two parts of this report.

2.4 Limitations of this business management report and assumptions made

The information about Cigna's acquisition of Express Script and coming business plan is mainly based on Cigna's 2018 annual report and limited publicly available information. Management seldom exposed their people issues publicly thus this report can only identify the possible people management issues based on previous experience drawn from a similar case in academic, lecture and business journals. Insider views were collected from a semi-structured interview with senior management and market practitioners. However, the sample size is very small. The findings are based on the assumption that the information given is true.

2.5 Case background with major events identified

2.5.1 Acquisition of Express Script

According to Cigna's growth strategy, it entered into several mergers and acquisitions in recent years and established a joint venture in China to expand its Chinese market. The biggest strategic transaction in recent years is the \$67 billion acquisition of Express Scripts on December 20, 2018 (Cigna, 2019, High, 2019). Express Scripts was the largest US Pharmacy Benefit Managers (PBM) (Newhard, Frank, Silverstein, 2018) and was the 25th largest company of Fortune 100. Together with CVS Caremark and Optum, Cigna was named as the top three pharmacy benefit manager. They control 72% of the US pharmacy market (Hodges, 2019). This acquisition intended to bring PBM business inhouse to lowering the costs and interest the market share of Cigna (Hodges, 2019). Considering Express Scripts has well-developed channels to employers, governmental agencies or health plans which Cigna does not have, the acquisition helps Cigna to expand its distribution reach. In short, the acquisition can help Cigna improve affordability, quality of services, expand reach and personalization for customers. Cigna's revenue in Q2 of 2019 was \$34 billion while its total revenue was \$75 billion in 2018. The analyst believes a significant portion of the increase was the result of the Express Scripts merger (Hodges, 2019).

After the acquisition, two companies merged into a subsidiary wholly-owned by Cigna which made Cigna the parent company (Cigna, 2019, High, 2019). Within one year after the merge, the revenue shot up to more than \$140 billion for this new healthcare giant (High, 2019). This merge triggered a major restructuring exercise. The new management and reporting structure for the new combined company was announced with an integration plan. Business segments have changed as below:

- 1) Integrated Medical, consist of Commercial operating segment and Government operating segment.

The commercial operating segment includes employer-sponsored medical coverage. The Commercial operating segment serves employers (also referred to as “clients”) and their employees (also referred to as “customers”) and other groups. This segment provides integrated medical services includes medical, pharmacy, dental, behavioural health, and health advocacy programs, etc., to insured and self-insured clients.

Government operating segment includes medical care offerings for seniors, and individual insurance offerings to non-seniors. The Commercial operating segment serves employers (also referred to as “clients”) and their employees (also referred to as “customers”) and other groups.

- 2) Health Services segment, consists of Cigna’s home delivery pharmacy business and Express Scripts’ Pharmacy Benefit Management (“PBM”) business. Services in this segment include pharmacy home delivery, and certain medical management services.
- 3) International Markets segment, offers global supplemental benefits and global medical solutions. This segment includes supplemental health, life and accident insurance products, and health care coverage to expatriates of multinational organizations.
- 4) Group Disability and Other segment, consist of four types of business: a) group disability; b) life business which provide group long-term and short-term disability, group life, accident, voluntary and specialty insurance products and related service; c) corporate-owned life insurance ("COLI") business offers permanent insurance contracts sold to corporations to provide coverage on key employees life insurance; d) run-off operations which comprise of guaranteed minimum death benefit (“GMDB”) and guaranteed minimum income benefit (“GMIB”) reinsurance

business, settlement annuity business, individual life insurance, annuity, and retirement benefits businesses, and international run-off businesses (Cigna, 2019).

2.5.2 Expansion in China

Building on the strong foundation of the acquisition, Cigna is ready for further expansion, especially in the international market. According to Cigna's CEO, Cigna expects China to become its biggest international market through a 50-50 joint venture with CMB Life Insurance. Previously, foreign insurers can only apply for branch license on a province-by-province basis and they can apply for one province per year. China has recently lifted this restriction in 2019, thus Cigna would like to seize this opportunity to deepen its operations in China. According to Cigna's President of International Markets Jason Sadler, Cigna targets to expand into more than 15 provinces and cover 2 million-plus customers simultaneously. China's aging market and the continued rise of chronic disease creates demand for life and private health insurance products from individuals. Cigna intends to grow its business from international and Chinese corporate clients, and individual customers via its digital strategies. The initial stage of the digital strategy will focus on product sales and will expand to provide comprehensive customer experience including post-sales support services (Lee, 2018).

2.6 External business environment

To identify, analyse and assess the complex external business environment of Cigna, this report adopted the PESTEL model for the analysis. With the business plan of expansion in China market through joint venture exercise, the analysis below will focus more on the business environment in China.

2.6.1 Political

As a global company, Cigna's business is exposed to foreign operation risks. These risks vary by market, including government intervention that they do not face in U.S. operations. The challenges include Brexit, regulations that discriminate against U.S. companies, the favour of nationalization in China, etc.

In China, the health insurance market is driven by government policies. During the 19th National Congress of the Communist Party, President Xi Jinping remarks that China government is determined in health care investment because national health is the

foundation for social stability and economic development. Since then, the Chinese government set "Healthy China" and "Digital China" as national strategies. Comprehensive guidelines and regulations for commercial health insurance were formed. This opens up an enormous opportunity for commercial health insurance because the Chinese government knows they need market players to help realize the strategies.

However, the trade war between the US and China creates lots of uncertainties for doing business in China. If the trade dispute can be resolved, China will further open up the insurance market. Under the new policy, foreign firms can set up their entity. Previously, foreign firms can only set up a joint venture for doing insurance business in China.

2.6.2 Economical

Despite the strong performance of the U.S. economy, the financial markets in many countries are undergoing disruptions in 2020, e.g. Brexit, the COVID-19 outbreak in China, etc. The impact of economic disruptions on Cigna's business, especially in China, as well as the equity market prices, interest rates, and credit spreads, will review in the coming months. The economy will likely undergo a downturn, employers may lower their operating costs by reducing the health care benefit, thus cutting their business with Cigna. Individual customer's markets will shrink due to the rise in the unemployment rate. Customers will delay their insurance payment and disability claims will increase. Much effort will be needed to retain or secure the business.

For the Chinese market, its national social health insurance system model is very different from the US commercial insurance system which Cigna is operating. The growth of the commercial health insurance market in China is driven by the "Healthy China 2030" national strategy and customer demand. The Chinese government wants to expedite the development of commercial health insurance because there is a deficit in the national medical insurance fund. It hopes the growth can release pressure on the social health care system. Under the above agenda, China targets to attain "full coverage" in health care by 2030. China knows it needs the participation of commercial health insurers to achieve the goal (EY & CPIC Allianz, 2018).

One major risk of doing insurance in China is medical claims. Currently, Cigna estimates medical claims and holds reserves for based on past data for projection. If actual claims exceed the estimation, Cigna will face material set back on their bottom line and business result. By that time, corrective measures may not be timely enough to stop the loss. To avoid such a scenario to happen, Cigna needs to adjust its claims estimation based on the current economic situation. Cigna also needs to collect reliable data from hospitals, physicians, and health service providers (Cigna, 2018).

Apart from the above, strong US dollars gives Cigna comparative advantage to invest overseas. However, the premium collected may leverage off the positive impact. Price competition is another factor affecting the profit margin. The thin margin could result in insufficient funds to cover the cost of services (Cigna, 2018).

2.6.3 Social

The aging population putting pressure on health care systems. The increase in wealth and education leads to a higher demand for health insurance products and services, especially in developing countries. Cigna needs to rely on local employees to manage its operations and stakeholders in countries outside of the United States.

In China, the population aged 65 and older increased from 11.4% to 158 million. Research suggests that the population will increase to 329 million by 2050, of which 120 million reached the age of 80. Chronic disease patients shot up to 200 million which responsible for 70% of the total disease and 86.6% of total deaths (NHFPC, 2017). This creates a public health burden which dragging China's social development. Succinctly, the aging population, increase in chronic disease and awareness of health increase the demand for medical and health-related insurance which creates business opportunities for Cigna.

2.6.4 Technology

Technology is the backbone of most of the business solutions e.g. e-prescribing, patient-friendly app, website interfaces to provide user experience for clients, customers, and partners. Cigna needs a strong technology platform to handle the billions volume of prescriptions annually in a fast and accurate manner. Technology also enables sophisticated big data analytics which helps Cigna to draw insights for developing

profitable, affordable and customized solutions. Data analytics can also help to design better customer experience with more patient engagement and desired health care outcomes. For insurers, technology helps to reduce forgeries of insurance claims by installing facial-recognition technology in China. This technology provides more tools for insurers to verify customer information besides paper documents. To sum things up, technology provides the soil for innovation is the key differentiator for Cigna's business (Lee, 2018).

Jason Sadler, Cigna's President of International Markets pointed out that Cigna's digital strategies are the key to grow its business in China (Lee, 2018). Regarding China's "Digital China" national strategy, China is undergoing a technology reform in the health industry which aims to link up all parties in the health care ecosystem. In the ecosystem, many of the participants are life and property insurers who still using legacy systems to run the health insurance business. However, the systems are not able to catch up with the demand of fastmoving health insurance business, especially on the risk management side. Many companies lack artificial intelligence and related operation models to collect user data for designing personalized products and customer experience (EY & CPIC Allianz, 2018).

While many firms are still using traditional approach e.g. individual agents as sales channels, Cigna and some others are developing internet sales as a business model. In China, third-party platforms like Baidu are boosting with busy traffic. The far-reaching and transparent nature of the internet makes it easy for a customer to under simple but lucrative health insurance products. Internet becomes the new battlefield for insurance companies (Insurance Association of China, 2018).

Nowadays, people broadly use mobile related technology e.g. apps or chatbots to interact with each other including doing their banking and insurance business. Some market players are developing mobile apps to offer insurance products (Insurance Association of China, 2018). Cigna also starts accepting mobile applications more than a year ago which user can provide their health data through online health assessment. Artificial intelligence also helps improve Cigna's digital health care services. For example, a mobile app can provide information on the nearest doctors and hospitals. The mobile application facilitates real-time monitoring of customer's health status, at

the same time, it enables Cigna to collect data about customers' behaviour and preferences. Cigna can use the data to further analysis of possible claims from customers and to offer personalised products and services. Therefore, Sadler emphasised that investment in digital technology is important (Lee, 2018).

There is also a limitation of mobile applications. Due to screen size and data usage constraints, only a confined amount of information can be displayed. This will create hurdles for the customer to understand the complicated terms about the products and this will weaken their buying desire. Some insurers tackle this issue by using live streaming videos to enhance information sharing experience. And hoping this will help customers to make the purchase decision (Insurance Association of China, 2018).

2.6.5 Environment

The pollution in China is high and the mortality rate is 30% higher than the market. Besides, the consumption of medical services is common in China. All this increases the cost of doing business in China unless Cigna can transfer the cost to customers.

2.6.6 Legal

Government regulations, either new or changes, together with the interpretations of labor laws in foreign jurisdictions, have a substantial impact on Cigna's business, financial position and operation. Litigation, claims dispute, regulatory risks are crucial parts needed to be managed (Cigna, 2018).

In China, the insurance industry is highly regulated. A new regulatory framework was set by the National Health Commission, the State Medical Security Administration, and the Banking and Insurance Regulatory Commission according to the 13th National People's Congress in China. Companies fail to comply with data security, regulations, standards, and laws that will jeopardize their business and reputation. Cigna needs to prevent itself from negligent and complies with the regulatory requirements closely (EY & CPIC Allianz, 2018).

3. Contemporary issue within the field of people management

With the backdrop of the acquisition, expansion in China through the joint venture, and the external business environment mentioned above, Cigna is facing several businesses, operations, and people management challenges. According to Cigna, key challenges of the Express Scripts acquisition include: retaining and attracting new clients; maintaining employee morale; retaining key personals and employees; integrating two different corporate cultures; consolidating two corporate infrastructures, realizing business and operation synergies; integrating technology intelligent, financial, systems, procedures and policies strengths; coordinating operations in different geographic locations; managing inefficiencies associated with the merge of two distinct operations; and alignment of internal financial control standards, etc. (Cigna, 2018). For the expansion in the joint venture in China, Cigna needs capable local talents to drive the business and manage the operations.

As stated in the British Institute of Management, several people management issues contribute to the failure of mergers and acquisition e.g. underestimating the difficulties of merging two cultures, demotivation of employees of the acquired company, departure of key employees in the acquired company, underestimating the challenges in skill transfer, too much energy is used in ‘doing the deal’ but overlooked the post-acquisition integration, etc. (British Institute of Management, 1986). With the above backdrop, this report will focus on two key people management issues: a) Culture integration and b) Talent management strategy including staff recruitment, competency, development, and retention to help Cigna face the complex business environment mentioned before.

3.1 Culture integration

Cigna and Express Script were operated in extremely different ways and culture before. Cigna mentioned in its report that they adopt a flexible approach in planning and the control is vigorous (Cigna, 2018). The new combined company CEO who is also the original Cigna CEO, Cordani, said corporate culture is an important issue to address for the acquisition. According to Cordani, Cigna is a global health service company, they exist to improve the health, well-being, and sense of security of the people they serve. They are service-based, performance-oriented and also mission-based companies (Newhard, Frank, Silverstein, 2018). Therefore, they start with a notion of purpose. The organizational culture of Cigna is demanding and professional (Cigna, 2018), they have a strong orientation in the market,

commercial, and consumer. They want to have staff whom respect and willingness to work with others and understand the needs of the clinical community. Cordani believes empathy, humanity and open-mindedness culture will bring sustainable innovation and success. He hopes both companies can share this culture fiber in the new combined organization (Newhard, Frank, Silverstein, 2018).

Cigna's annual report mentioned that their ability to achieve the anticipated benefits of these strategic transactions (M & A) is subject to their ability to combine the business of Express Scripts and Cigna, and to integrate the two disparate operations. The combination includes culture, synergies, and talents. The smooth integration can also help increase operational efficiencies, cost savings and manage the resources efficiently and effectively. However, the integration process is complex, time-consuming process and costly, which may distract management's attention from daily business concerns (Cigna, 2018).

3.1.1 Challenge in integration shared by Express Script senior management

However, as shared by Finucane, the CTO of Express Script, when they talk about how to execute together on integration, both companies are not always on the same page (High, 2019). According to Finucane, integration is a big challenge "There are many instances where we say something and our partners say something else, so the way that we communicate happens to differ a bit". He also mentioned that the acquisition process was an emergent one, much effort was put to figure out the suitable way to interact with one another, "The process is not flawless and smooth" (High, 2019).

3.1.2 Challenge in integration shared by Cigna senior management

Integration activities, including culture, also incur unexpected expenses. The anticipated benefits of the merge may not fully realize according to schedule. Such delays or unexpected issues may have a material effect on the revenues and operations of the combined company (Cigna, 2018). The integration of businesses also increases complexity in systems and internal controls and increases the challenges to manage which considered as HR issues. Ineffective internal controls, including people management, could lead to a loss in investors to confidence in Cigna's financial information which further impacts the trading price and their accessibility to financial capital (Cigna (2019).

3.2 Talent management strategy including staff recruitment competency, development, and retention

Cigna has capable management staff in handling various functions e.g. planning, organizing, motivating, staffing, and controlling (Cigna, 2018). However, according to Cigna's senior management shared in the semi-structured interview, that the turnover rate in Cigna was high, especially in Asia. The working environment in Cigna is very demanding and competitive which creates high stress and not so positive impact on employee morale. The senior management did mention that Cigna offers good remuneration but not much information about the reward mechanisms was shared.

Right after the acquisition, there is a departure of key employees. Phil Finucane, the Chief Technology Officer (CTO) of Express Scripts left the new combined company a few months after the acquisition. He mentioned in an interview that the integration has its difficulties. Different companies and key managements have different management philosophies and approaches to doing things (High, 2019).

To support Cigna's growth plan in China, Cigna needs to invest in talent management and upgrade its talent capabilities. Cigna needs to give talent the liberty, time and resources to identify and solve areas they believed to be needed for the new combined company.

4. Conclusions

Based on the above findings, the following conclusions are derived.

4.1 Integrating the corporate culture

Cigna stated in its annual report that acquisitions, including the acquisition of Express Scripts, joint ventures in China and other similar strategic transactions, involve risk. Such risk mainly comes from the difficulties of integration which leads to underperformance relative to expectations (Cigna, 2018). With the analysis in the previous session, Cigna management needs to find ways to figure out how to integrate the two companies, especially the corporate culture, as one seamless organization. This requires practical activities and project works to ensure Cigna gets to the path to realize the value of the deal (High, 2019). If the new combined company cannot ensure the smooth integration, realize the operational cost savings, Cigna will not be able to achieve the perceived earnings and achieve the anticipated benefit at the expected pace by the industry analyst. This will hard hit their stock price and investor confidence (Cigna, 2018).

4.2 Determine appropriate talent management strategies

Cigna operates in a highly competitive, and rapidly changing industry. Failure to adapt could negatively impact their business. Therefore, Cigna needs visionary management and competent staff to help realize the expected benefits from the acquisition and carry out the aggressive expansion plans in China. Appropriate talent management strategies needed to be developed and determined to ensure organisation and stakeholder success. Sophisticated skills sets are required as the business environment described in section 2 is complex. Detail recommendations and plans will be revealed in the following section.

5. Recommendations

This section aims to debate and put forward appropriate people management strategies that serve to remove indecision and create focus and purpose towards determining appropriate action throughout the organization. This section also relates the conclusion to the reported issue and provide specific suggestions to solve the problems mentioned in previous sections. The suggestions listed below are drawn upon the theories, principles, tools, and guidelines for people management given in previous lectures, academic or business papers.

5.1 Integrating the business and culture

Management needs to make the new business model with the desired culture a differentiator and take the strategic advantage for future business. They need to build a path that pulls the best of both worlds. Leaders need to identify the strength, brings those together instead of adding the weaknesses together. Management needs to get two distinct organizations to one cohesive and functioning team (High, 2019).

5.1.1 Communication for alignment of different cultures

As suggested by Express Script CTO, Finucane, a substantial amount of time and effort needed to explain and help the other side understand the model that each company has been running. This includes how each company operates, gets the work done, how it interacts with its business partners (High, 2019). To align the communication, management needs to find a common language to align the communications for both companies. This initiative will help find out what is needed, what is important and what is not for the integration. This also helps strengthen the execution of integration and manage things happening in legacy Express Scripts and Cigna (High, 2019). According to the Watson Wyatt's Global M & A Survey, Cigna need to identify the possible clashes of two cultures, and work to align the expectations in the acquirer and acquired businesses (Schuler and Jackson, 2001).

5.1.2 Co-creating new culture

In times of new business economy and time of disruption, innovative and entrepreneurial culture give a better chance for the company to succeed. Innovation can help drive technology development which plays a key role in the digital era and data-

driven business likes Cigna. It is because in the insurance business, technology is the backbone of system infrastructure and it facilitates breakthrough in selling channels, customer experience, and relationship management, business operation, and risk management. Entrepreneurial culture can help Cigna to find opportunities in a complex business environment and survive in challenging situations.

5.2 Approach of integration

According to Haspeslagh and Jemison, the approach of integration in M&A depends on two key criteria 1) Extent of strategic interdependence which means the need for transfer or sharing of resources and/or capabilities; 2) Need for organizational autonomy. With these criteria, there are four approaches to consider as shown in figure 1 below: i) Absorption - in which two companies are highly interdependent and little need for organizational autonomy. This integration approach needs rapid adjustment of the acquired company's strategies, culture, and systems; ii) Preservation – in which both companies have low interdependence and high need for autonomy. With this integration approach, existing strategies, cultures, and systems can be continued; iii) Symbiosis – in this approach, two companies are highly interdependent, but also has a high quest for autonomy. In this approach, both companies need to learn and adopt the best from each other; iv) Holding – two companies are less interdependent and have little need for autonomy. This integration approach left the acquired unit largely alone (Haspeslagh and Jemison, 1991).

Figure 1: Acquisition integration matrix

		Strategic interdependence	
		Low	High
Need for organizational autonomy	High	Preservation	Symbiosis
	Low	Holding	Absorption

For Cigna's case, the symbiosis approach is more suitable because Cigna and Express Script are interdependent strategically. Cigna was to expand the distribution network and reach as well as lower the pharmaceutical cost via Express Script, while Express Script needs to Cigna to expand into the insurance and health services business. In the interview of Cigna's CEO and Express Script's CTO in the early part of this business report, they shared that both companies are trying to adopt the strengths and best parts of each legacy company in the new combined organization.

5.3 Setting the business objectives and execution plan of the people management strategy

Senior management needs to set the business objectives and execution plan of how the people management strategy will be delivered in the new entity from the customer experience perspective because Cigna has a strong market, commercial, and consumer orientation. As mentioned in section 3, Cigna has a mission to improve the health, well-being, and sense of security for the people they serve (Newhard, Frank, Silverstein, 2018). They also have their overall business and earning objectives, and measurable goals stated in their annual report (Cigna, 2018). They need to translate these vision and mission into concrete direction and business objectives. After that, they need to integrate the service-oriented, professional, culture (Cigna, 2018), in the performance management to make these visions and strategies a reality. When all their staff are awake and living out the culture, Cigna can ensure all internal operations interact along the value chain to create a great user experience for corporate clients, patients, physicians, care providers, etc.

A new organization structure or reporting line may need to develop to support strategic change. Communications and change management is crucial to help people accept new responsibilities, reporting channel, power structure, and relationship.

5.4 People management strategy including staff competency, talent recruitment, development and retention

According to Watson Wyatt's Global M&A Survey, to ensure the success of M&A, companies better get HR involved in the integration process early (Schuler, Jackson, 2001).

To support the new strategy, Cigna may need to recruit people from outside or retrain the existing employees. Practical measures will include:

- a) A stocktake of existing skills and staff capabilities
- b) Train staff with the necessary skills to meet the challenges and to achieve the new performance objectives
- c) Recruit people to meet the talent gap
- d) Set performance management scoring system to encourage the desired behavior to support the overall strategy

5.4.1 Staff competency and talents recruitment

As understand from Cigna's senior management during the semi-structured interview, they have strategic management concepts. However, there is no Chief Strategic Officer in Cigna (Cigna, 2018) to take care of the overall strategy which is crucial especially after the sizable acquisition with Express Script.

Cigna needs to recruit staff to buy into the same culture. As mentioned in section 3, Cordani, the CEO of Cigna said they want to have staff who respect and willingness to work with others, and understand the needs of the clinical community. They also expect staff to have empathy, humanity, and open-mindedness which they think will bring sustainable innovation and success to Cigna. Cordani hopes the staff in the new combined company can share the above-mentioned culture fiber (Newhard, Frank, Silverstein, 2018).

Doing business in China is very different from the rest of the world. The company needs local intelligence together with successful international experience to succeed. Cigna needs to hire suitable talents to support its growth, especially the expansion in China. To select the suitable staff, we can make reference to the PESTEL model discussed in section 2.6. Cigna needs talents who can help the organization handle the complex external business.

Therefore, Cigna can enrich its competency model on top of the competency model with the following focus. Cigna can recruit staff with selected competency focus based on the job role and position requirements.

Competency focus	Description of Competency Under this competency, staff needs to:
Political	-Staff need to be politically savvy, and aware of the operational risk of doing business in the respective country e.g. China -Staff need to know the national policy e.g. national health policy -understand national policy position towards foreign firms -know and understand the national strategies e.g. “Healthy China” and "Digital China".
Economical	-sensible to the financing of economic disruptions e.g. Brexit, the COVID-19 outbreak in China, etc. -know the impact of economic disruption to equity market prices, interest rates, and credit spreads, employer’s buying decision in health care insurance, unemployment rate, trends in claims, etc. -know the trends in the health care industry ad investment -aware the currency exchange impact to the profitability
Social	-aware of the impact of social factors toward the business and operation e.g. aging population, increase in wealth and education, increase in chronic disease, etc.
Technology	-use or development updated technology for business solutions e.g. e-prescribing, patient-friendly mobile app, website interfaces, facial-recognition technology, and other artificial intelligence, etc. -able to collect data along the value chain of the health care ecosystem e.g. hospitals, physicians, and health service providers, etc. -analyses data collected and provide meaningful insight from the big data profitable, affordable and customized solutions
Environmental	-aware of the impact of environmental issues towards the business and operations e.g. mortality rate, etc.
Legal	-know or sensitive to the new or changes in government regulations, and its impact on Cigna’s business, financial position and operation.

	-interpret the labor laws in local jurisdictions, -aware of the regulatory risks
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Apart from above, Schuler, Jackson also suggests that the leaders for the new combined business need to be sensitive to cultural differences, open-minded, agile, good listening skills, notice the strengths and weaknesses of legacy companies, strive to retain key employees, able to motivate different employees, manage the change process, can communicate with all stakeholders (Schuler and Jackson, 2001).

5.4.2 Talent development

Cigna needs to include talent development. After stock take and identifying the talent gap, Human Resources provide training, coaching to staff according to the competency listed in the above section. Comprehensive development programme needed to be designed. Executive coaching will need to offer to key employees.

5.4.3 Talent retention

According to Schuler, Jackson, talent lost or mismanagement is one of the key reasons for failure in mergers and acquisitions. Uncertainty, unclear strategy, and insufficient communication can drive away talents. To retain talents, Cigna can consider giving retention bonuses, negotiation remuneration, writing employment agreements with key employees. Keep employees engaged and informed with vigorous communication also an important differentiator in staff retention (Schuler, Jackson, 2001).

In Cigna's situation, the turnover rate before the merger was already high. Staff commented that the work environment is demanding and which create high stress in the workplace. These make the retention of key management and competent staff more challenging in the new combined company. Talents in health care, internet marketing, and new technologies are important assets. The talent development and retention need to lie in with enticing remuneration and rewards. Cigna also needs to hire suitable talents to support its growth, especially the expansion in China. A new organization structure or reporting line may need to develop to support strategic change.

Communications and change management is crucial to help people accept new responsibilities, reporting channel, power structure, and relationship. Referring to

Chandler's study, Cigna needs to set up a general office to handle the planning and coordination work with various parts of both companies. Long-term strategy and structure needed to be set by senior management (Chandler, 1990). After that, the communication forum or session needed to be arranged to convey the implementation schedule and milestones. Above people, strategic should place under high urgency to support the new cooperation. The steering committee needs to review periodically how well is a new organization sustaining and improving staff core competencies. Sufficient budgets also need to allocate to support the above talent management strategies.

6. Implementation plan

This section proposes an appropriate action plan throughout the organisation to ensure smooth culture integration, deployment of people management strategies and achieve organization success! This section also describes how the recommendation is implemented.

Cigna, Express Script and the joint venture partner in China were operating in different approaches at a relatively high pace. To manage the complexities of the integration, the planning process needed to be orderly and well-structured. To ensure the smooth transition, milestones needed to be set while keep hitting the business targets and deliverables.

6.1 Implementation process

According to Lynch, the implementation process has four key elements:

1. Objectives, task setting, and communication
2. Resources allocation
3. Monitoring and controlling the plan
4. Pulling it all together: Performance Management

(Lynch, 2015)

1. Objectives, task setting, and communication

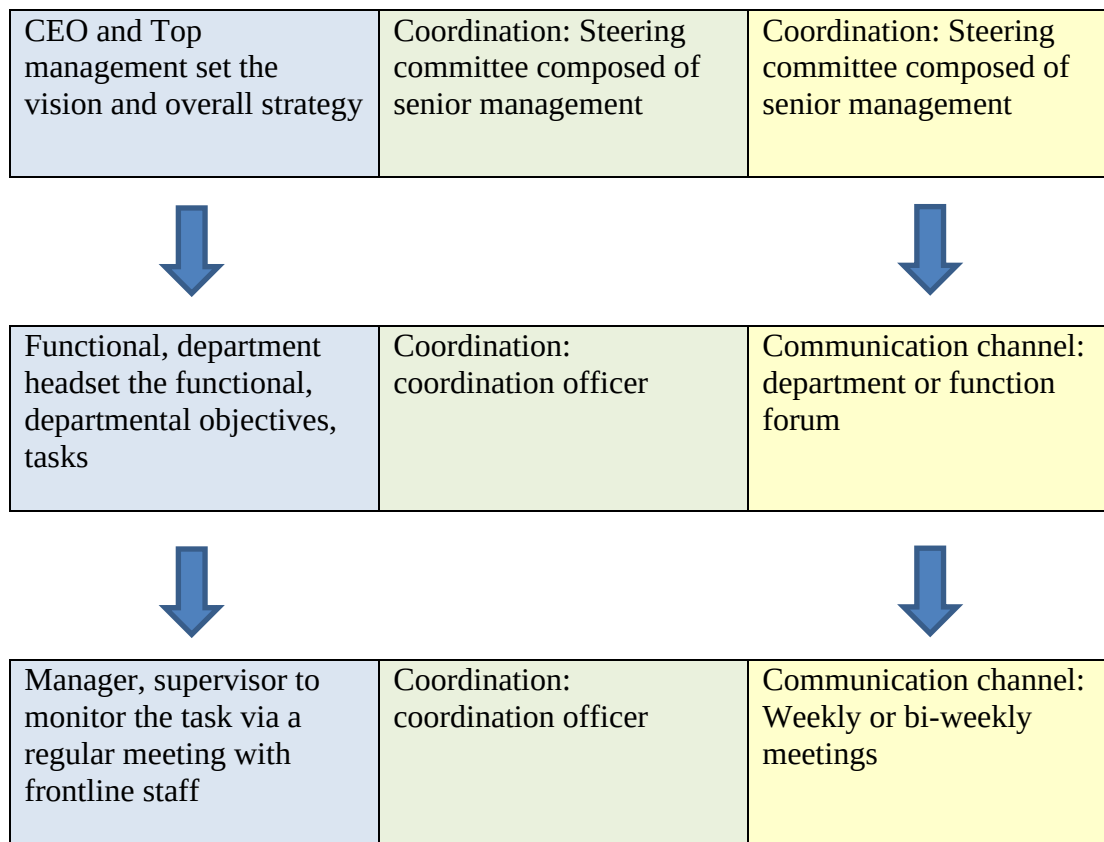
For Objectives, task setting and communication, the CEO and top management need to set the overall vision and high-level strategy. Functional and department head needs to develop objectives, task and implementation plans of their respective function or department to support the vision and high-level strategy set by top management. Functional and department heads need to communicate the objective, tasks and implementation plan to their manager and supervisors. Managers and supervisors need to get staff commitment to carry out those objectives, tasks according to schedule.

According to Chandler, long-term strategy and structure needed to be set by senior management (Chandler, 1990). After that, the communication forum or session needed to be arranged to convey the implementation schedule and milestones. It is suggested that the strategy, objectives, plan, and tasks needed to communicate and coordinated to ensure everyone understands the details, to clarify any confusion, to allow adjustment for contingencies (Lynch,2015) and align across the organization. The implementation of the

overall strategy will be communicated in the senior management conference, while the functional and departmental plan will be communicated via a department or business function forum.

Referring to Chandler's study, Cigna needs to set up a general office to handle the planning and coordination work with various parts of the newly combined companies (Chandler, 1990). Therefore, the high-level coordination will be done via the steering committee office, while each function or department will have a coordination officer to assist the functional, department or business head to update the steering committee about the progress (Lynch, 2015). The suggested channel of communication for a different level of management are illustrated in the following figure.

Figure 2: Objective and task Setting, and communication channel



Besides the above, roles and responsibilities, objectives and tasks needed to accomplished will be listed in a functional or departmental implementation plan. Examples can be found in the implementation plan table.

2. Resources allocation

A considerable amount of resources e.g. finance, expert and human resources are needed to allocate to respective departments, functions based on their contributions toward the fulfillment of the organization's vision and strategies.

3. Monitoring and controlling the plan

To tackle the fast-changing and uncertain environments, regular meeting e.g. bi-weekly or weekly, needed to set up between frontline and supervisors to collect feedback, monitor the progress and adjust the plan according to the situation. This will allow flexibility in the implementation to adhere to the changing environment. Throughout the monitoring process, management needs to allow flexibility on the objective's adjustment and task execution as

long as the organization is moving towards the vision. Managers also need to empower frontline staff with the liberty of responding to the environment.

4. Pulling it all together: Performance Management e.g. Balance Score Card

Performance management is needed to help drive and realize the strategies. The balanced scorecard is a good performance management tool to help realize the vision, strategies, business objectives and culture. It is because a balanced scorecard helps translate the vision, strategy, business goals and culture into measurable objectives through discussion and gaining commitment through consensus. It also helps to link goals with rewards. The performance management process also helps review the performance against the plan through regular feedback (Lynch, 2015).

It is suggested that Cigna top management have more dialogue with middle and frontline staff during the development of the strategy to solicit input for implementation. This will help Cigna keep its innovative culture which needs a greater flow of ideas and will be ill-served by rigid information flows. While the business environment is rapidly changing, this emergent approach is essential for a corporation like Cigna.

6.2 Implementation plan table

Framework Level	Objective	Key Actions	Term: S=short, M=medium, L=long term	Actor	Timeline	Progress to date or key milestones for monitoring
Corporate level	Set the vision, overall strategy, and business objectives and culture	1. Reassess vision and mission to ensure it supports the business success	L	CEO, a top team	Jan 2020	Await update
		2. Set the strategies, business objectives and make sure it dovetails the vision and mission.	L		Feb 2020	
	Provide resources and support including budget	3. Approve the implementation plan proposed by the steering committee	M		Mar 2020	
		4. Approve strategy related resources and budget	M		Apr 2020	
Cross company	Drive the strategy implementation, including culture	1. Develop a detail strategic implementation plan for the organization and get approval from top management	L	Steering committee	1Q 2020	
		2. Identify opportunities and risks.	M		On-going	
		3. Ensure the vision, strategies, business objectives are achieved for the organization.	M		On-going	
	Assist top team to allocate resources	4. Review strategy related resources and budget proposal for top management approval.	M		1Q 2020	
	Align the communication across the organization	5. Coordinate the communication regarding the strategy.	L		On-going	

Functional, department level	Set the functional, departmental objectives, tasks to support the strategy	1. Develop a detail implementation plan for the function, department and get approval from the steering committee	M	Functional, department head	Feb 2019	
		2. Identify opportunities and risks within their function, department.	M		On-going	
	Ensure the strategies, business objectives are achieved within their function, department.	3. Ensure staff of their function, the department has the capability e.g. arrange training with HR.	M		On-going	
		4. Ensure staff and resources to achieve the objectives e.g. get the resources, budget from the steering committee.	M		2Q 2020	
		5. Set and develop performance management criteria to ensure staff achieve the objectives set and incorporate the culture in the working approach.	S		Mar 2020	
	Ensure department staff incorporate culture in their work practice	6. Set monitoring system and to ensure the objectives are met according to schedule.	S		Mar 2020	
		7. Communicate the strategies, business objectives, preferred culture to staff in their function, department. E.g. Conduct communication forum and department meeting, staff meeting to ensure the strategy, objectives, business goals, corporate culture are communicated.	M		On-going	
The business unit, team level	Execute the business objectives and cultivate the corporate	1. Develop a detail implementation plan for their respective unit and get approval from steering functional, department head.	M	Manager, supervisor	1Q 2020	

	culture within their unit.	2. Identify opportunities and risks within their Unit	M		On-going	
	Ensure the staff in their unit implement the objectives and culture initiatives	3. Ensure staff of their unit have the capability e.g. Coaching and training.	S		On-going	
		4. Ensure staff and resources to achieve the objectives e.g. get the resources, budget from functional or department head.	S		1Q 2020	
	Ensure staff in their unit incorporate culture in their work practice.	5. Monitor staff performance according to criteria set to achieve business goals	S		On-going	
		6. Ensure staff to incorporate the culture into the daily operations	S		On-going	
	Ensure their unit staff understands the culture and business objectives.	7. Reinforce and clarify the strategies, business objectives, preferred culture to staff in their respective unit. E.g. Conduct bi-weekly or weekly meeting.	M		On-going	
Individual employee level	Execute the business objectives incorporate the preferred corporate culture within their daily work	1. Follow and execute the implementation plan set.	M	All staff	On-going	
		2. Identify opportunities and risks within their Unit within their center influence	M		On-going	
		3. Seek support from management for necessary resources to realize the business objectives	S		On-going	
		4. Incorporate the corporate culture into their daily working life	L		On-going	
		5. Provide feedback to management if encounter any difficulties in the implementation process	M		On-going	

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