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MANAGING IN COMPLEX ENVIRONMENTS:
STRATEGIES, INSIGHTS AND SOLUTIONS

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Table of Contents

List of Figures	4
Executive Summary	5
Report Purpose.....	7
Aetna Inc: Leading Healthcare Industry.....	8
Company Profile	8
Growth Strategy 2009/11: Creating Value for Customers	10
Global Expansion Plan	10
Brand Challenges	12
Human Resource Management: Leading the Global Diversity Trend	14
Defining Diversity.....	14
Importance of Diversity.....	15
Diversity Trend: Changing Factors	17
Diversity creates sustainability	22
Challenges for HR Strategy: Contribution to the Enterprise Strategy	24
Diversity Leader.....	24
“ICE” Approach to Diversity	25
Aetna HR Statement.....	28
Corporate Values: “Aetna Way”	30
HR Goal: Leadership and Key Talent Capabilities	31
Foundation of Talent Management Approach	32
Diversity Management in Healthcare Industry: Factors	33
Decisions Analysis: “LAMP” Framework	35
Recommendations for Aetna Inc. Diversity Strategy	40

Risk of Diversity Underestimation	40
Recommendations to be considered by the Management team.....	41
Conclusion	43
Appendix A.....	44
Appendix B.....	45
Appendix C.....	46
Bibliography.....	47

List of Figures

Figure 1 Revenue Exposure by Sector/Industry	8
Figure 2 Aetna Inc. Deal Activity, 1992/2008	9
Figure 3 Diversity Components	15
Figure 4 Likelihood of financial performance above national industry median by diversity quartile	16
Figure 5 Population Growth Projected Growth Rate, % (2018-2030).....	18
Figure 6 Number of international migrants by major area of destination	19
Figure 7 US: "Do you personally identify yourself as lesbian, gay, bisexual or transgender?"	20
Figure 8 Average % ethnic/cultural minority representation by company level	21
Figure 9 The Aetna Way.....	30
Figure 10 Logic of Employees Professionalism	36

Executive Summary

There are dozens of aspects that compose corporate strategy to diversity management. Aetna Inc. as one of the health insurance and benefits market leader recognises full importance of efficient leadership and employees capabilities management.

Being one of the most diversified companies in American history, Aetna Inc. embraces its approach to diversity, leadership and historical values.

Customised approach to each customers groups allowed the company to survive the most difficult financial crisis years with strong Balance sheet and strong customer value delivering and brand satisfaction.

As a multinational company with active mergers and acquisitions deals portfolio, as well as, ambitious business expansion plans, Aetna Inc. gives priority to diversity strategy in human resource management, that is practically linked to overall business strategy and is expressed in defined measures.

Despite the ambitious business development goals set as for the strategy 2009 to 2011, systematic risk may create additional challenges. Challenges created by market forces are expected to be negotiated by focus on Aetna's diversity.

Ethnical as well as background diversity of Aetna's employees in result serve to business sustainable advantages.

This particular report will spotlight leadership and key talent capabilities in the link to corporate Human Resources strategy.



“We recognize how important diversity is to our business. We are proud to provide health insurance and related employee benefits to millions of people in the United States and hundreds of thousands in other countries. Over time, becoming a strong global company will require that we maintain an understanding and appreciation of people’s differences.”

Ronald A. Williams, Aetna Inc. Chairman and CEO

Report Purpose

Current report provides overview of Aetna’s diversity strategy initiatives, its impact on company’s operations and financial results.

The purpose of the report is to recommend solutions to key people management issues that the company faced after global financial crisis in the 2008/09.

The recommendations are based on the analysis of company’s internal materials (annual reports, strategic plans and meeting reports) and external market and peer-companies analysis.

Aetna Inc: Leading Healthcare Industry

Company Profile

Bloomberg (Bloomberg, 2018) describes Aetna Inc. as a multinational corporation that operates “as a diversified healthcare benefits company that provides healthcare and related benefits serving dental members and group insurance customers”. The Company offers the following services: medical, group life, pharmacy, dental and all types of disability plans, medical management capabilities.

The diagram below represents the revenue exposure of Aetna Inc according to sectors of operation:

Figure 1 Revenue Exposure by Sector/Industry

Economy (4)	Sector (4)	Sub-Sector (4)	Industry Group (5)	Industry (7)	Sub-Industry (8)
Business Services 0.10%	Business Services 0.10%	Other Professional Services 0.10%	Administrative Services 0.10%	Administrative Employment Services 0.10%	Benefits Administration Services 0.10%
Finance 3.29%	Insurance 3.29%	Insurance 3.29%	Life and Health Insurance 3.29%	Life and Health Insurance 1.90%	Diversified Life and Health Insurance 0.29%
				Supplemental Health Insurance 1.39%	Life Insurance 1.61%
					Other Supplemental Health Insurance 1.39%
Healthcare 95.43%	Healthcare Services 95.43%	Healthcare Support Services 95.43%	Health Plan Providers 85.94%	Government Managed Care 45.39%	Medicare Managed Care 45.39%
			Healthcare Administrative Support Services 9.50%	Other Health Plans 40.55%	Other Health Plans 40.55%
				Other Healthcare Administrative Services 9.50%	Other Healthcare Administrative Services 9.50%
Other 1.17%	Corporate or Other Unallocated Revenue 1.17%	Corporate or Other Unallocated Revenue 1.17%	Corporate or Other Unallocated Revenue 1.17%	Corporate or Other Unallocated Revenue 1.17%	Corporate or Other Unallocated Revenue 1.17%

Source: Factset, 2018

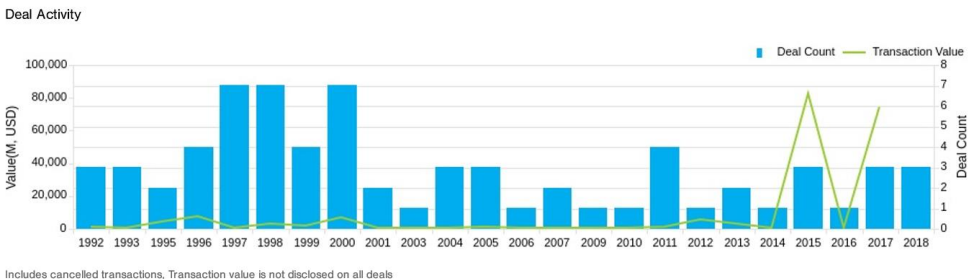
Medicare Managed Care is the largest sub-sector, accounting for 45.4% of revenue in total Health Plan Providers sector, that Aetna operates in. In Medicare

Managed Care Aetna Inc ranks 3d after UnitedHealth Group, Inc and Humana, Inc.

The company growth up to the present point could be characterised as quick and inorganic. Aetna Inc is one of the most active buyers in the healthcare industry, having completed on average 5 mergers and acquisitions a year deals from 1992 to 2008, accounting up to 60 million USD.

The graph below represents the deals activities dynamics:

Figure 2 Aetna Inc. Deal Activity, 1992/2008



Source: Factset, 2018

Growth Strategy 2009/11: Creating Value for Customers

Global Expansion Plan

Currently, Aetna Inc is in the position of active post crisis global expansion.

At years 2007 and 2008 Aetna Inc management focused on organic growth, reinvesting generated cash flow in expansion strategies and repurchase of corporate common stock. At the same time, surplus capital was used to support target acquisitions.

Having survived the bottom of the global financial crisis with strong balance sheet (ref. Appendix A) and increase in sales of health insurance products, the company management still expects further economic downturn and new challenges, such as markets volatility, lower investment income and unemployment rise.

The tendency might affect current clients mix and lower in-group membership seizing. On the top of that, upward pressure on medical providers is expected in the next 5 years, what needs to be accounted in the global expansion strategy.

The global business expansion strategy of the 2009 includes the following **goals**:

- Increase profitability and total number of membership and earnings;

- Increase quality and recognition of services and products;
- decrease total cost management;
- restructure expenses structure;
- use innovation and technology as tools for value creation;
- ensure leading in the market customer experience;
- improve diversity within the company on all levels.

The business competitiveness is challenged by ability of the company to integrate businesses and processes after multiple acquisitions, as well as efficient leadership and human resource management. Aetna's management team believes that inability to integrate business processes and people may increase comparing operational costs. In this case, company executives prioritise leadership changes for deployment of the most profitable initiatives in post-acquisition periods. For instance, certain acquisitions resulted in adapting a number of information technology systems that we must effectively and efficiently consolidate with existing systems.

The further actions to be taken are aimed to improve financial performance through adaptability to challenges: growing to new markets, products and services, as well as attraction and retention of the most qualified talents in United States and the rest of the World.

Brand Challenges

The company recognises its reputation as the most important asset, claiming negative perception from some kinds of customers to be the greatest hazard to the overall profitability. Brand recognition issues may arise from actual or perceived shortfalls regarding the industry's or our own business offers and products.

Specifically, Aetna brand recognition is in the spotlight due to recent changes in leadership team (beginning of a new president's term). Thus, the company may be in the position of adapting modernised managing style, what should be considered further in the business development strategy.

Further, the brand may be challenged by increased number of new products and services being introduced in 2009/2011, such as products with limited benefits for targeted segments, for instance uninsured, part time and hourly workers and those eligible for Medicaid.

The amount of sales generated by the company is heavily dependent on the ability to attract and retain the best industry talent, including internal sales personnel and third party brokers, consultants and agents. Skills and expertise of the internal personnel determine the quality of customers assistance in the production and servicing of business. The main reason why this question comes to the top of the list is that in most of the cases third party brokers and sales personnel are not exclusively dedicated to the

company and may create confidential information leaking.

In order to increase value creation for its customers globally, the management team focuses on strong brand awareness, stability and trust through strong network employees, developing capabilities and evolving distribution channels, especially when company is a very active acquirer.

Human Resource Management: Leading the Global Diversity Trend

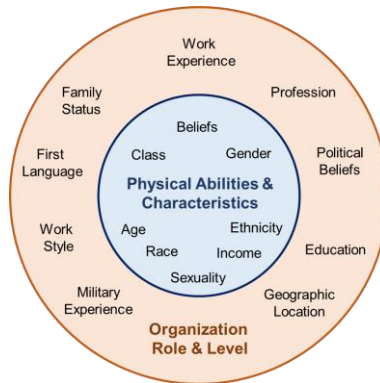
Defining Diversity

Diversity is a complex notion that is classically associated with consideration of full spectrum of human differences and similarities in multiple aspects. According to the most common definition diversity is differences in race, age status, beliefs and etc. This idea was supported by a number of corporations, that expressed the idea.

In broad expression diversity refers to profile of individuals involved in day-to-day processes of an organization. Despite diversity could be understood in various perspectives, depending on it's purpose, there are particular constituents of the notion that could be systemised.

The diagram below presents aspects that are categorized to (a) personal and (b) professional related categories.

Figure 3 Diversity Components



Source: CIPD, 2018

Logically all these aspects could be immutable, visible and important to some extent.

In this relation background diversity of an individual could be divided to experiential and cognitive diversity. Differences in both experience and cognitive divisions define why people in the same organization may have completely uncommon approaches and thinking to the same issues, aims and plans.

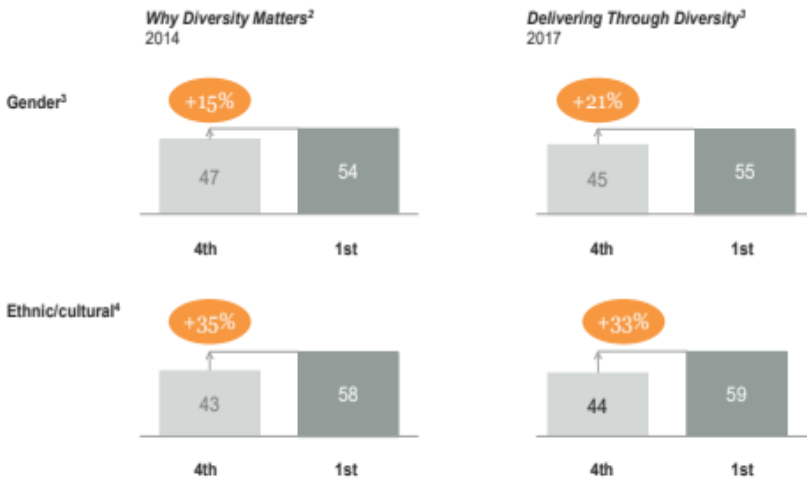
Importance of Diversity

Despite this fact entails several positive and negative impacts on a company, scientists as well as the most progressive corporations highly recognize the importance of diversity (CIPD, 2018).

For instance, Companies in the top quartile for racial and ethnic diversity are 35 percent more likely to

have financial returns above their respective national industry medians. (McKinsey, 2018)

Figure 4 Likelihood of financial performance above national industry median by diversity quartile



1 Average EBIT margin, 2010–13 in *Why Diversity Matters* and 2011–15 in *Delivering Through Diversity*

2 2014 results are statistically significant at p-value <0.1; 2017 results are statistically significant at p-value <0.05

3 Gender executive data: for 2014, N = 383; for 2017, N = 991

4 Ethnic/cultural executive data: for 2014, N = 364; for 2017, N = 589

NOTE: Percentages shown here are rounded to the nearest whole number; however, calculation of the differentials in quartile performance uses actual decimal values

Source: McKinsey Diversity Matters Database, 2018

Such attention to diversity phenomena is mainly stimulated by the rapid changes in the number of woman, minorities and lgbt people involved in the key decision-making processes and executive levels of corporations. Furthermore, it's widely acknowledged

that diversity is extremely impactful, resulting in dramatic shifts in performance ratios.

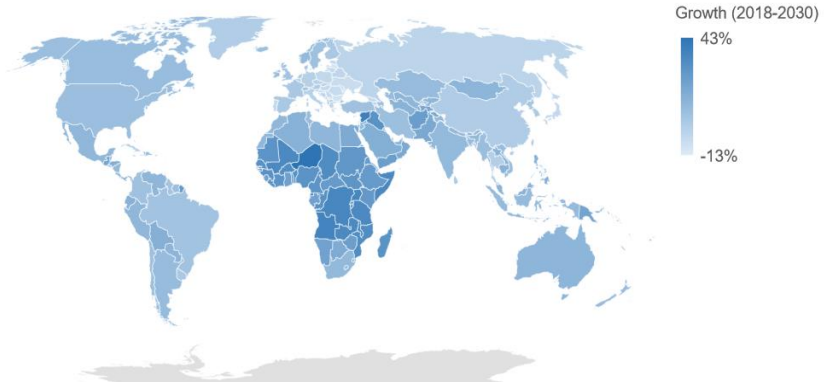
Diversity Trend: Changing Factors

In the modern international corporations diversity aspect gathers much attention. There are several reasons for it, such as shifts in demographics and forecasted increase in global population, employment shifts, migration trends and executive teams components.

According to the forecast of Bureau of Labour Statistics, United States in particular should expect unemployment at the level of 5% or lower with job participation rate up to 63% (Bureau of Labor Statistics,2016).

To begin with, The World Population Review Statistics forecasts global population growth range from -13% to 43% from 2018 to 2030, remarkably high rate to be in African and Asian countries.

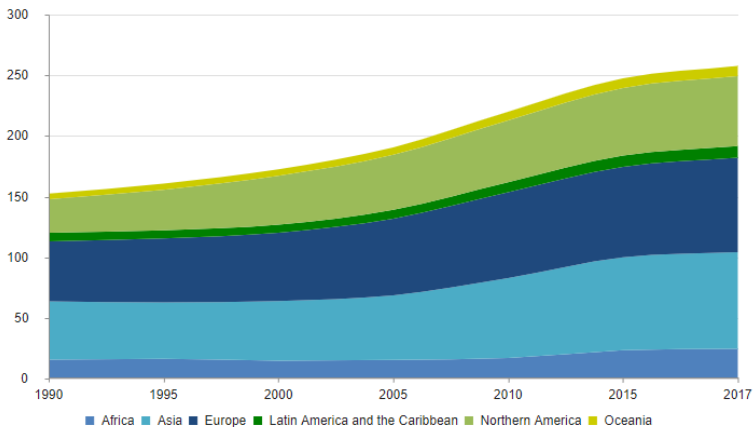
Figure 5 Population Growth Projected Growth Rate, % (2018-2030)



Source: World Population Review Statistics, 2018

It is forecasted to create another trend of increased percentage of people of colour to be employed. According to the Centre for American Progress (Burns, Barton,& Kerby, 2012) by 2012 people of colour make up approximately one third of the U.S. workforce, what includes 16% hispanic, 12% African-American and 5% Asian workers. This happens due to the fact that the pool from which organizations recruit is more diverse. Needless to mention that the trend is international.

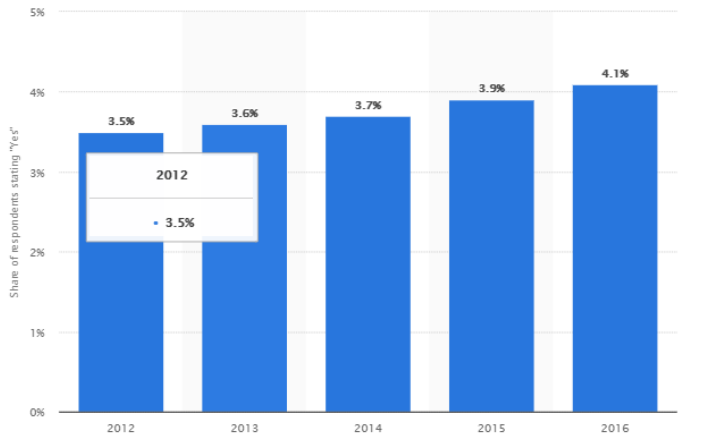
Figure 6 Number of international migrants by major area of destination



Source: United Nations Statistics, 2018

Further, United Nations Statistics forecast Asia, Europe and Northern America to attract increasing number of migrants from the rest of the world. This means that from 2009 to 2017 the number of migrants to the abovementioned destinations will increase almost by 50% (ref the graph above).

Figure 7 US: "Do you personally identify yourself as lesbian, gay, bisexual or transgender?"



Data visualized by  + a b l e a u

© Statista 2018 

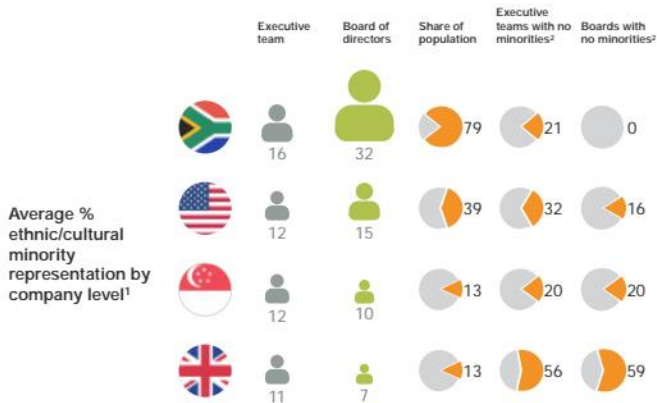
[About this statistic](#)

[Show source](#)

Source: Statista, 2018

Employees personal identity in terms of relation to the LGBT minorities is forecasted to face slight upturn as well. According to the projections published Statista, by 2018 4.1% of the US population will be able to openly identify themselves as LGBT, comparing to the current 3.5%.

Figure 8 Average % ethnic/cultural minority representation by company level



¹ See Methodology section for the definition of ethnic diversity and countries covered
² Percentage of companies with zero ethnic/cultural minorities represented at the executive level
 SOURCE: Government of Singapore; UK Office of National Statistics; US Census Bureau; McKinsey Diversity Matters database

Source: McKinsey, 2018

Ethnic minority representation varies considerably by both geography and leadership levels within the companies. Furthermore, corporations usually tend to recruit the best matching person for the position, what is impacted by the diversity tendencies.

Diversity creates sustainability

Focus on diversity brings advantages to the company regardless the management level of the firm. Such hypothesis was explained by Barney (1991) as resource based view (RBV). According to it company gets sustainable advantages based on all resources it has. The more valuable, rare, and costly to imitate are the resources, and the more organized the company is to capture the value of the resources, the greater the advantage to the firm.

This theory was completed by Robinson and Dechant (1997) who proved that corporations with more ethnical diversity mainly at lower levels tend to read the market more accurately and approach target segments more precisely, what consequently leads to better services and products promotions and knowledge capitalization.

Nonetheless, later in 2003 Ellis and Keys found out that “workforce heterogeneity” (firm all levels diversity) is more important than focus on percentage of minority workers. In fact, the proportion of minorities among higher paid positions and new employees positively impact on company share price performance.

In 2009 Herring estimated positive correlation between racial diversity and market share, revenue and the number of firm customers. In particular, it is

true in industries where company is involved in greater customer contracts, such as service firms.

Barney (1991) also suggests that effective diversity management usually has fruitful results such as lower employees turnover, absenteeism, productive workforce and better strategic decisions.

Another aspect of company diversity sits in Corporate Social Responsibility (CSR) enhancement and better public relations. Corporations that prioritise diversity often get high recognition for its policy, such as listings in “Diversity Inc Top 50” or Fortune’s 500 Best Workplaces Diversity, what are attractive signals for the best minority workforce.

Challenges for HR Strategy: Contribution to the Enterprise Strategy

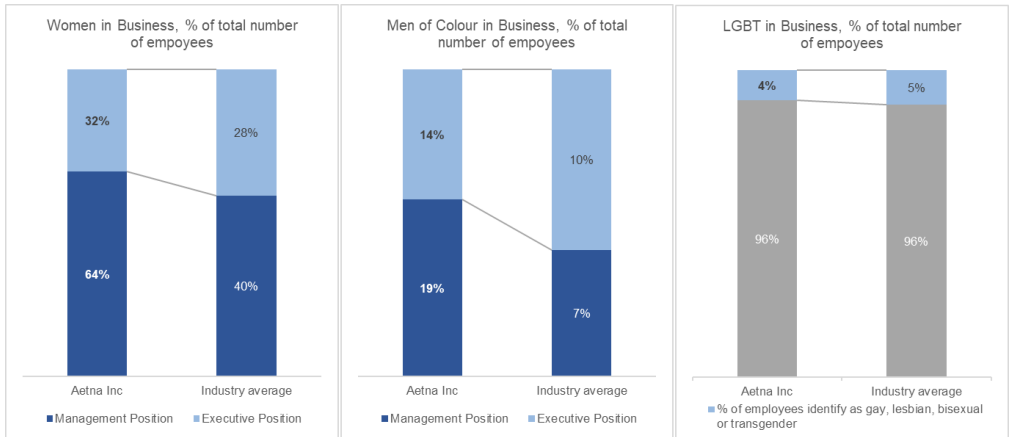
Diversity Leader

Aetna Inc recognizes possible hazards of diversity ignorance within multinational company and has developed strategy that maximizes all levels employees' effort in order to meet customer's needs.

Unlike the classic understanding of diversity approach, Aetna pursues more nuances in diversity definition, including diversity of background, training, functional experience, generational identity, etc.

Aetna Inc. is considered to be one of the most diversified companies in the healthcare services sector, thus necessity of this strategy is mainly determined by the broad international operations of the company.

Aetna Inc. currently provides employment for more than 47000 people worldwide, 31% of those are people of colour and 76% are women on various levels, including 11% and 16% in management positions respectively (Aetna Inc., 2018).



Source: Aetna Inc, 2018; Bureau of Labour Statistics, 2018

The graphs above provide comparison of Aetna Inc diversity KPIs with the US industry average. The company proudly outperforms the average, demonstrating the favourable internal environment for minorities and equality for genders. Such results were achieved with special approach to employees diversity management, called “ICE” approach.

“ICE” Approach to Diversity

Unlike other corporations where diversity strategy is more a theoretical notion without clarified steps of achievement, Aetna Inc introduced “ICE” approach to diversity that is based on employees’ continuous Integration, Communication and Education.

In fact, “ICE” is a unique alliance of diversity values and business strategy (Aetna, 208a).

Figure 9 Aetna' Diversity Strategy

Aetna's Diversity Strategy		
Integration	Communication	Education
• Includes all diversity dimensions (race, sexual orientation, age, telework and caregiver status, etc.) • Its components work together across the enterprise (Marketing, HR, Foundation, Procurement, Sales, Investments, etc.) • Supports Aetna's business goals	• Disseminate information to employee and customers and other key constituents • Communicate about diversity in internal and external forums positioning Aetna as a best-in-class company • Share progress and challenges	• What is the strategy and its components? • How is it manifested in the business strategy? • Who is included? • What tools are needed to increase competencies and meet marketplace needs?

Source: Aetna Inc. Annual Report, 2018

The core components of "ICE" are:

- Target new employees hiring process in accordance with diversity strategy;
- Distribute internally information along with mission and strategy of the company through sources such as website;
- Ensure regular publication of information explaining diversity aspects and projected benefits;
- Carry out speaker-influencers events free of charge for every employee through media means: webcast and live meetings;

This means that the company consistently introduces core diversity principles through the way of thinking throughout all levels.

The unique aspect of the “ICE” approach is its connection to the business goals, what makes the diversity strategy to go beyond theoretical claims and help to deliver on business goals. The effectiveness of the initiatives is expressed in metrics (ref. Appendix C).

Such approach has been established through decades, when focus on employees diversity inclusion goes back to 1982, to the publication of an African-American calendar, profiling 12 well-known and lesser-known African-Americans in a variety of fields and professions each year.

Since then Aetna constantly includes minorities representatives in the board of directors, such as Arthur Ashe, famed tennis player and world citizen, was voted to the Aetna board of directors.

Such attention to diversity was highly recognised many times, during the company’s operation. For instance, in 2006 Aetna was named a Top 50 Company for Diversity (WIRE, 2018).

Integration, Communication and Education among employees brings the solid ground for the entire HR management, that is specifically aimed at Aetna Inc performance in the market.

Aetna HR Statement

Aetna Human resource management statement is fully integrated with overall enterprise strategy statement, what makes both strategies works together towards particular measurable aims.

As it was stated in the previous chapters, Aetna Inc enterprise strategy for 2009/11 aims at provision high quality and costs effective healthcare solutions for target customers. In the time of active international expansion to new markets, it's utterly important to have human resources, that can read the market and customers needs correctly and approach those efficiently. For this reason, Human resource strategy is aimed at enhancement of a diverse, high-performing workforce, what eventually will lead to leading positions among competitors.

Approach of linking human resource strategy to overall business strategy was widely used by companies (hbr, 2018).

As it was outlined earlier active expansion is forecasted to bring Aetna Inc. a broad range of opportunities, as well as several challenges. In this case, the business priority is to create strong environment for careers unrestricted growth in critical positions, such as sales. Well established leadership will ensure the company's ability to overcome systematic risks as well as brand challenges.

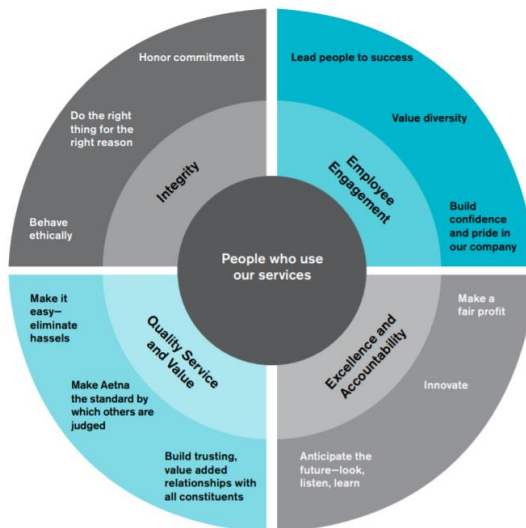
One of the main workforce-management goals (ref. Appendix B), that is linked to business priorities, is Leadership and Key Talent Capabilities: the ability of the company leadership and functional capabilities to identify, develop, retain and utilize people talent. Measures of this goal in a row with others are: career progression, diversity of the pipeline of both external and internal talent for leadership, internal talent placement into newly created or expanded roles, etc.

Corporate Values: “Aetna Way”

In the world of increasing diversity importance, Aetna Inc has become one of the leaders in consideration of its employees’ diverse backgrounds. Ignorance or lack of diversity representation in a company brings a hazard of low number and worse inputs to the business.

Acknowledging this fact, Aetna Inc builds its human resource strategy on 4 values, accepted throughout the company: “Integrity”, “Employee Engagement”, “Excellence and Accountability”, and “Quality Service and Value”.

Figure 10 The Aetna Way



Source: Aetna Inc., 2009

HR Goal: Leadership and Key Talent Capabilities

In the current company international position, high team diversity and new markets expansion plan, its especially vital to establish leadership and key talent management, that would be integrated in the business strategy and create value for the end-user.

In this regard, talent management question becomes the main agenda for many researchers. For instance, Ashton & Morton, (2005) and Coulson-Thomas, (2012) connected talent capabilities management to be the key to sustainable competitive advantage of the whole corporation. Indeed, efficient talent capabilities management involves talent pool creation from all types of sources (internal and external), adequate use of these resources in the first place and its further commitment and motivation for continuous contribution to the common business goals of the firm (Collings & Mellahi, 2009). Understanding of these peculiarities creates the base for human resource management approach in corporations.

Aetna Inc. as a corporation that is willing to remain leadership positions in the industry and corner the market in other countries, actively involves talents in organizational life, capitalizes on available competences and prepares encouraging climate for contribution.

The chapter below discusses talent management approach, main challenges in the healthcare industry and reviews most favourable initiatives under leadership and talent management HR goal.

Foundation of Talent Management Approach

Talent management in diversity environment is the topic that was discussed a lot by various researchers. Thus, theory considers various approaches to talent management.

First of all, theoretical background creation and knowledge gaps coverage among employees are the initial step in establishing manageable diverse team. As a part of this approach Gallardo-Gallardo, Dries, and Gonzales-Cruz (2013) suggest beginning with defining employee's talent as "natural ability, mastery, commitment and fit revealed in innate abilities, acquired skills, knowledge, skills and attitudes of employees which lead to achieving outstanding results." As an interacting party according to this notion company management may take inclusive or exclusive position in talent growing. This means that talent could be considered as a skill and eventually acquired while working in diverse environment.

Secondly, in relation to the diverse human resource management, companies should consider several perspectives. The extend according to which the expertise and practice are gained in diverse

environment are closely related to the human resource management style (Lewis & Heckman, 2006).

Further, researchers highlight the necessity of transforming key capabilities of talented employees are put into practice and interaction with colleagues from diverse ethnical and professional backgrounds. This will allow a broader range of employees to communicate with top professionals, get practical expertise and share visions and narrow down the gap between company “elite” and common work force.

In the next step, a company management considers the relation between supply and demand of the talent, and especially on employee’s flow. Boudreau & Ramstad, (2005) suggest strong internal talent pool to have direct correlation with succession planning.

Diversity Management in Healthcare Industry: Factors

Healthcare industry is sensitive to peculiarities related to live dealing with people and service quality. A number of researchers such as Dreachslin, Weech-Maldonado, and Dansky 2004; Weech-Maldonado et al. 2002; Brach and Fraser 2000, actively support in favour position of diversity management by means of racial and ethnic intervention in access and health treatment. Historical experiments proved diversity enhances overall performance in healthcare industry as well: racially and ethnically diverse firms

outperforms companies with homogeneous structure (Richard 2000; Dreachslin and Hunt 1996; Cox 1993).

In healthcare industry companies urgently adapt diversity business frameworks for the inevitable reasons, some of these are:

- Changing demographic trends, that requires companies to tailor services, products and schemes to a particular customer;
- Increasing diversity among both employees and customer base;
- Shifts in labour market, that makes employer to choose the best talent among the “pool”;
- Active developments in health issues diagnostics and treatment, provoked by technical break-throughs;

Decisions Analysis: “LAMP” Framework

Researchers in the public healthcare services industry resolve problems by providing clear definition to it, measuring the issue and determining risk exposures (Satcher and Higginbotham 2008).

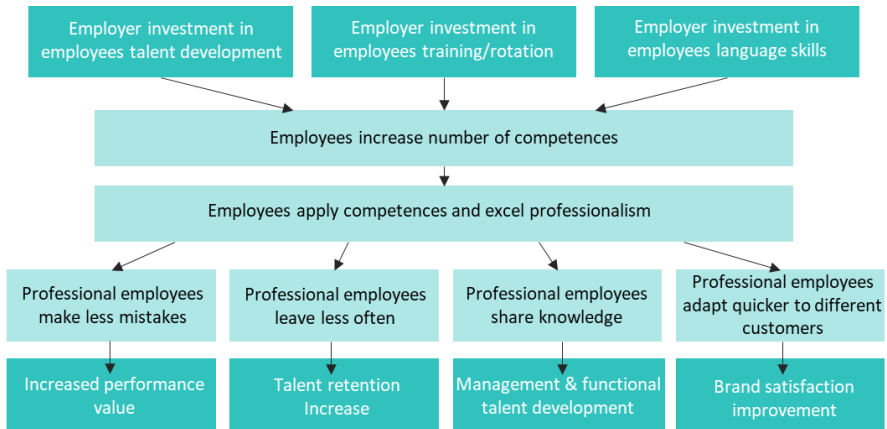
Another similar approach, however, allows to define the impact of an initiative on all aspects of the business.

Diversity initiative could be fairly asses based on LAMP principles.

The sense of this method is to apply Logic, Analytics, Measures and Process to initiatives, in order to consider the most consider most possible decisions and choose the most favourable for the business goal of the company.

Following the logic explained in the “Investing in People”, Aetna may consider investing in its employees education as a part of diversity strategy that will increase team professionalism and overall performance.

Figure 11 Logic of Employees Professionalism



Logic: value creation focus

The main question that Aetna management team should consider prior to investments in additional employees' education is "How does Aetna create value from emphasis on diversity and investments in education in particular?".

The question that builds the logic may appear tricky, provided that majority of employees do not consider payments for employees' education, qualifications and etc. to be a company asset. Achieving desired degree or qualification paid by the firm, employees get more advantageous position and are willing to leave for a better option. Surprisingly, employer investment in employee's talent development, training and rotation programmes and language skills are forecasted to result in enterprise-wide benefits,

such as increase in performance value and talent retention, management level and functional talent development, employees engagement and overall brand satisfaction improvement.

Analytics: business outcomes

Analysis of these investment in diversity initiatives suggest that continuous investment in employees education goes in line with “ICE” diversity strategy and serves directly to one of the values – employees engagement.

Collected data suggests that trained and engaged employees tend to make better and quicker decisions for customers and business issues. Engaged and trained employee tend to share it’s knowledge with colleagues and seek more accomplishments, creating drivers for the company. These initiatives are incredibly vital in changing market environment market.

This aspect of diversity brings its results. For instance, employee’s engagement survey shows positive results of it (Aetna, 2008). Almost 91% of employees in the survey claimed Aetna to make difference to their working life:

- 88% of employees claimed to understand their job responsibilities much better than in the beginning of their career;

- 86% percent of employees expressed willingness to contribute more to Aetna's business goals;
- 85% percent of employees acknowledged Aetna Inc to assist in making better carer decisions;

Such results give the clear evidence that employees become prouder of their work place, feel more secure and are willing to dedicate their effort to corporate goals.

Measures: no recognised framework

Created value could be measure through the set of financial and non-financial KPIs. In particular, the effect of leadership in Aetna diversity strategy could be measured through: increase in performance value and talent retention, management level and functional talent development, and overall brand satisfaction improvement.

There is noticeable lacking a general framework that would consider at the same time the cost benefits of cultural and linguistic competence to families, communities, employers, and society (Goode, Dunne, and Bronheim 2006). This brings another noticeable challenge in accurate estimation of all benefits that a diversity campaign may bring.

Accurate estimation of potential financial returns will provide leaders with leverage when deciding what

investments will return the best outcomes. However, Aetna Inc will consider brand and value improvement as importantly.

Recommendations for Aetna Inc. Diversity Strategy

Risk of Diversity Underestimation

Considering the healthcare market peculiarities explained above, it is highly recommended for Aetna Inc. to have a solid measurement system, evidence-based approach linked to projected financial outcomes. According to Jayne and Dipboye, (2004) diversity initiatives should be considered as business imperatives, that are favourable for the company bottom line. Thus, Aetna Inc. management team, along with the board of directors, should put diversity management on the list of it's top priorities.

Needless to say that lack of attention towards the strategy in this case may result in hazards of losing market leading positions, becoming "middle-class" firm with neglected business values. Importance of expressing diversity in financial measures was proclaimed by various researchers (Dogra et al. 2009), highlighting that unfortunately at the current moment, there are no widely accepted metrics such strategies. For instance, as it was prognosed by Armada and Hubbard, (2010), in the top 20 percent of hospitals and clinics in USA do not collect its staff and customers ethnicity and other diversity information on specific purpose of analysis and correlation to customers reach or financial performance improvement.

This brings the following expression to be comprehended and memorised throughout the Aetna Corporation: “Diversity initiatives cannot be performed without any particular measure or projected outcome.”

Recommendations to be considered by the Management team

Analysing leadership initiatives applied towards diverse environment within and around the company, it could be concluded that the core values and “ICE” approach are built correctly. However, in the background of the current market trend and human resource diversity management initiatives, there are fair principles, that will enhance value creation process for the customer.

“Read your customer”

Provided the fact that the company mix is not homogeneous, Aetna company is recommended to thoroughly consider increasingly diverse population in all countries of operation. Every target group of customers should be able to receive customised approach and services. Considering the unstable political and economic situation globally, efficient leadership of diverse capabilities over the time is supposed to bring culturally competent care more affordable healthcare solutions, uniquely tied to addressing the cultural and linguistic barriers present in system.

“Meet the Challenges”

In the strategy from 2009 to 2011 corporate should pay particular attention on possible market turmoil. Focus of leadership and diversity will negotiate possible systematic risks through “diversification” effect, using diverse expertise, skills and capabilities towards maintaining high customer expectation level and brand satisfaction.

Sustainability in Aetna’s business process could be achieved through advance market research and risks forecasts.

“Be Consistent”

Providing healthcare solutions to diverse customers, none of the companies should be purely money orienteered. Nonetheless, expectation of the particular financial performance may lead to consistency in leadership.

Targeted financial performance brings leadership consistency in the following way. As it was proved in the previous chapters, team diversity improves fiscal outcome. This link must be illustrated in correlation between investments in diversity initiatives and financial an operational KPIs. Finally, as the result of such correlation, company leadership becomes responsible for consistent improvement of cultural competence as a performance measure.

Thus, for the period of 2009 to 2011 Aetna Inc is recommended to build its leadership and diversity strategy considering:

- Responds to shifts in market/demographics;
- Diversity ensures sustainability;
- Make leadership business imperative;

Conclusion

Aetna Inc. as one of the industry leaders has developed and efficiently managed its diversity strategy for many years up to the present moment. The current report concludes on the strong necessity for Aetna Inc. to further pursue its diversity strategy, with consideration of the recommendations explained in the previous chapter.

As the result of Aetna Inc. diversity vision analysis, it could be claimed that the company bases its strategy justifications on values shared internally for decades, what received a number of recognition signs.

For 2009/2011 business development Aetna Inc. is strongly advised to focus on leadership and key capabilities management as the main goal in its human resource strategy. Such focus will allow escaping challenges of international business expansion, corporate post-acquisitions deals adaptation periods and new employees integration.



Appendix A

Financial Highlights (Millions, except per common share data)			
For the year	2007	2006	% CHANGE
Revenue	\$27,599.6	\$25,145.7	9.8
Operating Earnings ¹	1,837.1	1,647.9	11.5
Net Income	1,831.0	1,701.7	7.6
Operating Expense Ratio ²	18.2%	18.8%	(3.2)
After-tax Operating Margin	6.6%	6.7%	(1.5)
At year end			
Assets	\$50,724.7	\$47,626.4	6.5
Shareholders' Equity	10,038.4	9,145.1	9.8
Market Capitalization	28,649.5	22,280.3	28.6
Common Shares Outstanding	496.3	516.0	(3.8)
Per common share			
Operating Earnings ¹	\$3.49	\$2.90	20.3
Net Income	3.47	2.99	16.1

¹Operating earnings excludes from the net income: net realized capital (losses) gains of \$(148) million, \$(174) million pretax) in 2007 and \$24 million (\$32 million pretax) in 2006; a reduction of the reserve for anticipated future losses on discontinued products of \$42 million (\$64 million pretax) in 2007 and \$75 million (\$115 million pretax) in 2006; the write-off of a \$72 million (\$47 million after tax) insurance recoverable related to a prior-year class action settlement in 2006; a debt refinancing charge of \$12 million (\$8 million after tax) associated with our debt refinancing in 2006; and an impairment of \$8 million (\$6 million after tax) of previously capitalized software due to the acquisition of a more multifunctional system in our acquisition of Broadspire Disability in 2006.

²The operating expense (GAAP basis) was 18.3% in 2007 and 19.2% in 2006. The operating expense ratio excludes net realized capital (losses) gains from total revenue as discussed in Note 1 above and also excludes the prior-year class action settlement insurance-related charge, debt refinancing charge and acquisition-related software charge from operating expenses as discussed in Note 1 above.

The foregoing financial information should be read in conjunction with the financial statements and related notes as presented in Aetna's 2007 Annual Report, Financial Report to Shareholders.

Appendix B

Aetna's Integrated Workforce-Management Strategy

Business Priorities and Goals	Key Strategic Goals	Success Measures
- Forecast and plan for a superior workforce to meet changing business needs, including local and targeted growth markets - Attract innovative, results-focused, diverse workforce	Goal #1: Workforce Management Supply a qualified workforce to support near- and long-term business objectives	- Effectiveness of workforce plans (e.g., timely delivery of right resources to meet business needs) - Diverse employee base that understands and reflects our constituents - Aligned systems and practices to support delivery of strategy (e.g., utilization of Talent Manager information)
Develop bench strength and career growth in critical job functions, succession plans and enterprise leadership to ensure our ability to meet challenges of our growth strategy	Goal #2: Leadership and Key Talent Capabilities Identify, develop, utilize and retain talent with leadership and functional capabilities	- Internal talent placement into new and expanded roles - Talent retention - Middle management and functional talent development - Diverse pipeline of internal and external talent for leadership - Career progression
- Retain, engage and optimize performance of innovative, results-focused, diverse workforce - Drive profitable growth	Goal #3: High-Performance Organization Drive employee, team and organizational performance and advance Aetna's growth strategy	- Pay-for-performance results - Diversity scorecard results - Improved employee survey results - Employee health dashboard results - Contribution to growth/sales



Appendix C

Initiative	Metric	Business Impact	Area Affected
Local Market Initiative and Targeted Growth Markets	• Number of new markets • Membership growth	• Profitable growth in local markets	• Local markets • Small and middle markets
Supplier Diversity	• Number of suppliers and amount in expenditures	• Promote strong company brand • Profitable growth	• Small and middle markets • Individual markets
AARP	• Number of new members 50 years of age and older	• Profitable growth	• Enterprise-wide • 50+ demographics
Multicultural Investments	• Money invested with minority- and woman-owned funds	• Promote strong company brand • Competitive returns	• Enterprise-wide
Cultural Competency Training	• Percentage of employees who have completed training	• Promote strong company brand by understanding different population segments	• Enterprise-wide
Multilingual Capability	• Percentage of employees who speak languages in addition to English • Percentage of materials available in languages other than English	• Promote strong company brand by understanding different population segments • Increased market share	• Enterprise-wide
Multicultural Customer Satisfaction Index	• Percentage of customers satisfied with our products and services	• Promote strong company brand • Increased market share from the multicultural market	• Enterprise-wide
Diversity Index Gaps	• Differences among employee demographic segments	• Increased employee engagement and productivity	• Enterprise-wide
HR Recruiting/Retention	• Differences among employee demographic segments	• Hiring and turnover savings • Employee satisfaction • Employer reputation and brand	• Enterprise-wide
Miami Advisory Council	• Miami market share	• Increased market share and brand recognition	• Miami-Dade County
Diversity Annual Report	• Reports printed and distributed • Languages used	• Promote strong company brand as an industry leader • Increased market share	• Enterprise-wide

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