

## **Market Crossroads Scenario Planning at a “Defining Moment”**

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### **Abstract:**

Governing boards are a bit like meteors above an organizational “planet”. If they position themselves too far above it all, they are likely to float at an innocuous distance, meaningless and without impact. On the other hand, if they plunge too deeply and quickly they are likely to burn up in the atmosphere, dissipating their well-intentioned energy in a spate of “micromanagement”. This article describes a process for capitalizing on a market “crossroad” as an opportunity for board and staff alike to “rehearse” alternative views of the future, gain experience in the process of grappling with associated policy matters and make peace with both a shared vision and a more appropriate relationship with one another. Relevant concepts, tools and processes are outlined for adaptation by governing bodies in similar circumstances.

### **Summary:**

In the interest of sustaining an enviable record of 4XGNP growth, Delta Dental Plans of Massachusetts had embarked upon a path of selective diversification from its core business. Admirable and entrepreneurial though it was, this course of action greatly complicated the business and concerned a board that had become accustomed to dealing with only operational and ceremonial issues. The ensuing cycle of mistrust between board and staff was constructively broken through a structured series of scenario planning exercises that allowed all parties to find their voice and map their shared values and intentions for the future. This resolution enabled the company to continue on a fully endorsed but more focused pattern of growth in the oral health market. Lessons learned and methods employed are relevant both within and outside the target industry outlined in this case study.

### **The Problem**

Few among us have an instinctive orientation toward “boardsmanship”. Those asked to serve on boards are typically “direct action” personalities who understandably struggle with the tension between taking charge and setting policy. This seems especially true in healthcare where the *lingua franca* is either the drama of individual cases or the magnitude of the dollars at work.

As a consequence, the atmosphere of board meetings often crackles with thinly veiled “micromanagement” and feelings of “majoring in minors”. This represents a frustration for board members and executive leadership alike, and in fact, often becomes a self-perpetuating cycle:

Staff reasons: *“They get so lost in the weeds how would we ever take them up to the big picture?”*

Vs.

The Board responds: *“They never tell us anything really significant. Something must be wrong. Let’s dig into the details.”*

This cycle can often lock an organization into a holding pattern at a time when market factors call for a more proactive stance. An effective response, though...one that will sustain through the setbacks and sacrifices associated with any new initiative, requires that board and staff alike be on the proverbial “same page”. The problem has always been one of achieving this condition efficiently and without acrimony.

Wouldn’t it be great if board and staff had a method to effectively “rehearse the future”, considering alternative stories of how it might unfold as a vehicle for making policy choices? The answer, we felt, was a comprehensive scenario process served up in board meeting “bite sizes” that afforded participants an opportunity to air their biases, exercise their gifts and find their voice on questions of fundamental direction. We conducted such a process at Delta Dental Plans of Massachusetts (DDPMA) throughout the summer of 2000.

## **The Context**

For context, DDPMA is one of 37 Delta plans covering all 50 States, Puerto Rico and Guam. Chartered to insure the oral health of subscribers, these not-for-profits are typically governed by a combination of practicing dentists and health benefit managers. Such a configuration is ideal for conservation of “business as usual” but ill suited for the consideration of “bold moves”. As market forces have put pressure on these and similarly structured arrangements, business failures have occurred, unexpected alliances have evolved and operating margins have all but disappeared. Clearly, these are the conditions in which bold moves make sense.

DDPMA had enjoyed a unique position among comparable plans. Consistently “profitable” from operations, the company had enjoyed a decade of growth at rates four times the GNP. Within the business case as originally conceived, Delta had nearly saturated its available market. Recent gains had been achieved only through a departure from traditional lines...an experimental clinic, a foundation for the dentally uninsured, etc. These selective diversifications, while contributors to the business base, introduced a different philosophy of management and surfaced their own vulnerabilities and divided

opinions within leadership. Relations between the board and the executive staff entered the self-perpetuating cycle described above. Arguments ensued over operational matters, technology, the rising cost of acquiring new accounts and the alleged fostering of competition with member practitioners. In short, the forest was lost for the trees.

## The Process

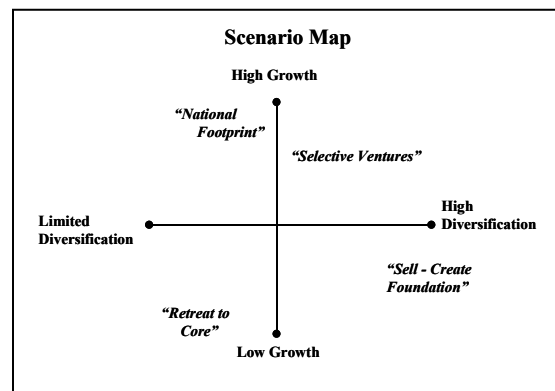
Over the second and third quarters of FY 2000 and in preparation for the 2001 budget process, leadership embarked on a seven-step process to develop a unified voice regarding future direction:

- 1 Identifying the fundamental alternatives
- 2 Creatively presenting the story of the future as it might unfold
- 3 Engaging the Board in lively dialog around each of the scenarios
- 4 Drawing consensus themes and requisite staff-work from those dialogs
- 5 Surveying members on their predisposition toward critical issues
- 6 Constructing a “chart-pack” for members in advance of a “watershed” session
- 7 Opening the session with a resolution in favor of a specific scenario.

Subsequent discussion took place around that resolution...all of it at the policy-making level that had eluded the group in the preceding months.

## The Methods

Some of the specific techniques employed were instructive and possibly useful to other organizations at similar crossroads. Alternatives, for example, were developed along two intersecting axis's...growth and diversification. Simply put, the company could adopt a larger “footprint”, offering the same portfolio of products to a broader, perhaps even national, geographic market. More limited growth might be achieved through continuing on the path of selective diversification...selling new products and services into its existing market. Alternatively, the policy call might be to retreat to the core business...”stick to our knitting”, as they say. In the extreme, leadership could elect to sell the company to a commercial carrier, putting the proceeds of the transaction in a



perpetual foundation to attend to the oral health of the dentally uninsured, consistent with its original mission.

“Histories” of the future were written in the form of the *Wall Street Journal* article that might appear in 2005...one version as a positive outcome and the other as a disappointment. Beyond the advantages of “digestibility”, this format enabled members to surface their best hopes and worst fears with respect to the realistic options they faced.

Over a 60-day period, the Board met in two separate sessions to consider the impact of these scenarios. Members were randomly divided into subgroups and were asked to silently record and publicly post what he/she liked about each scenario and what their concerns were. After all participants reviewed one another’s perspective, these same sub-groups were asked to make the case for a specific alternative to their peers, regardless of their personal preferences. Sessions ended with a general discussion of the choices and a group listing of both facts and process steps that would facilitate genuine closure.

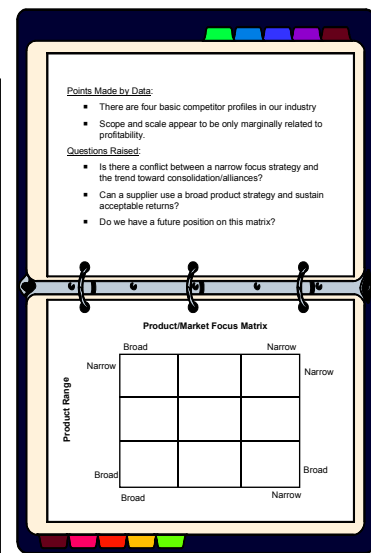
Prior to a subsequent session 30 days hence, members received two mailings...the first an anonymous survey to determine their values, preferences and starting positions; the second, a “fact base” responsive to the questions various members raised about the market, the competition, the Delta system at large, company valuation and governance alternatives.

Chart-packs are often used to equip a board or management team for important deliberations. Superior to spreadsheets or vertical text in their readability, chart-packs direct the attention of a group to critical questions, supporting those questions with an easily understood graphic portrayal of relevant facts.

Finally, the nature of the process prompted lively and informed discussion regarding the mission of the organization, the competencies of the company, the strengths of leadership and the role of the board. Everyone emerged from the process better equipped to “*define and secure their preferred future*”.

## The Outcome

Closure formed the basis for a longer-term financial plan and provided the latitude leadership needed to take the company to the next level. The board felt informed, supportive and genuinely committed to a growth plan that had previously been contested each step along the way. While there are no guarantees of success over the months and years ahead, a “good outcome” in this case was the kind of collective resolve that enables organizations with intrinsic advantages to convert those advantages into results.



## Lessons learned

The primary ingredients of this experience constitute important lessons for institutional leaders and board members alike:

- 1 Don't allow the *tyranny of the urgent* to obscure your view of the big picture. Recognize a "crossroads context" for what it is and work to identify the key dimensions along which choices will have to be made...growth, market, customer set, product portfolio, etc.
- 2 Avoid excessive attachment to the outcome. Remember that a strategy is "*a pattern of response to market needs, consciously selected in light of probable shifts in the environment, relative competencies of the firm and the contingent moves of intelligent competitors*" (James Bryant Quinn). Single-path advocacy develops its own momentum and will rob the group of its ability to make a *conscious selection among available alternatives*.
- 3 The absence of a robust fact-base keeps organizations moving in the same glide path. People respond to the kind of information they have. If you tell a board that dues and subscriptions are up 15% they'll want to drop the *Daily News*. Make a habit of serving up solid doses of data on market factors, industry trends and substitute technologies that bear on your future.
- 4 Allow sufficient "soak time". Don't expect big decisions to be made in a single sitting. There's a long history of bad decisions and "false closure" brought about in just that way.
- 5 Once achieved, sustain the high ground. Keep the level of dialog and the stream of data on the plane you reached during the "crossroads" period.

As in all of life, important transitions offer important opportunities to reshape relationships...working or otherwise. Don't let the momentous circumstances around us put and keep you and your organization on the defensive.

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